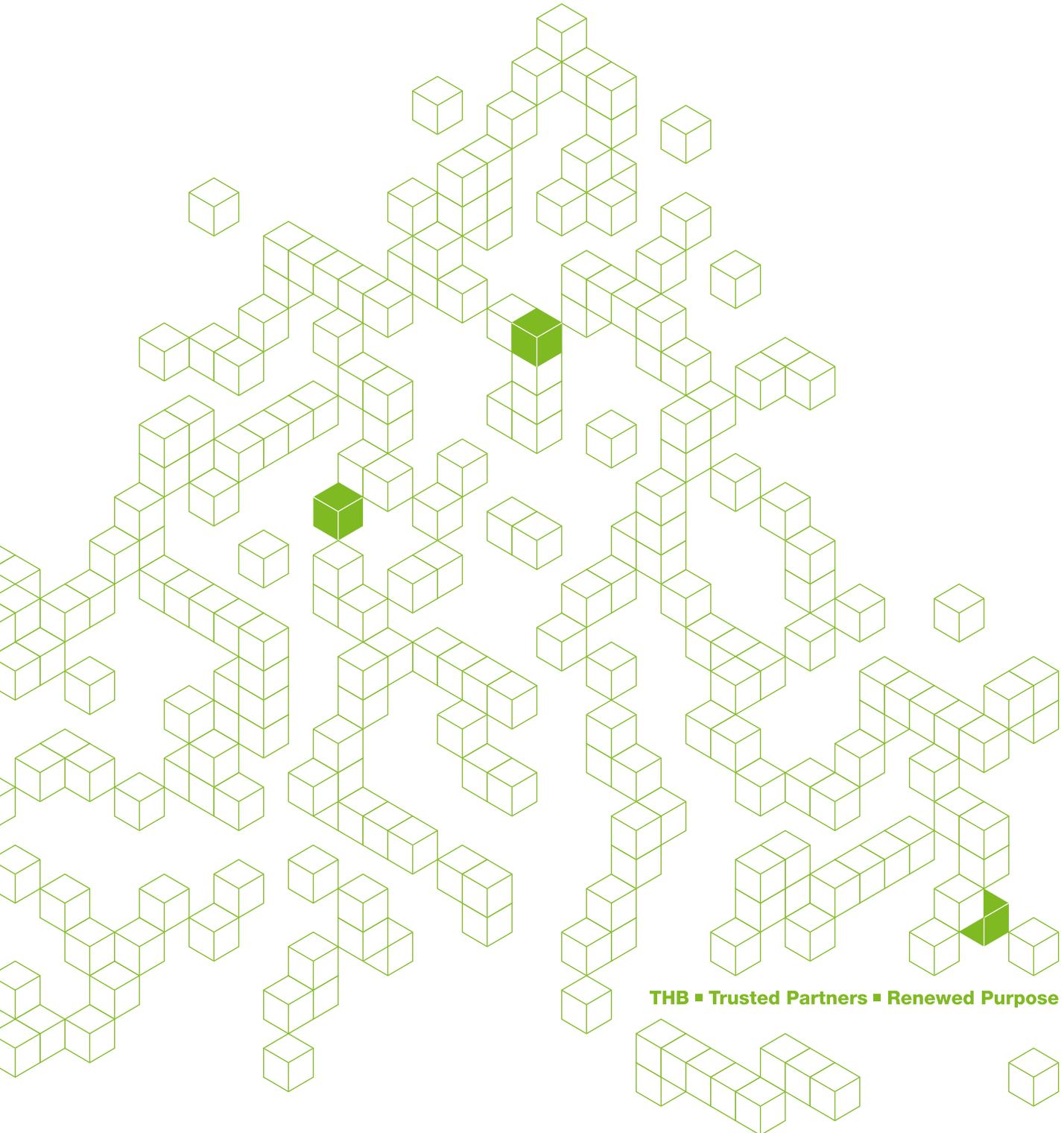
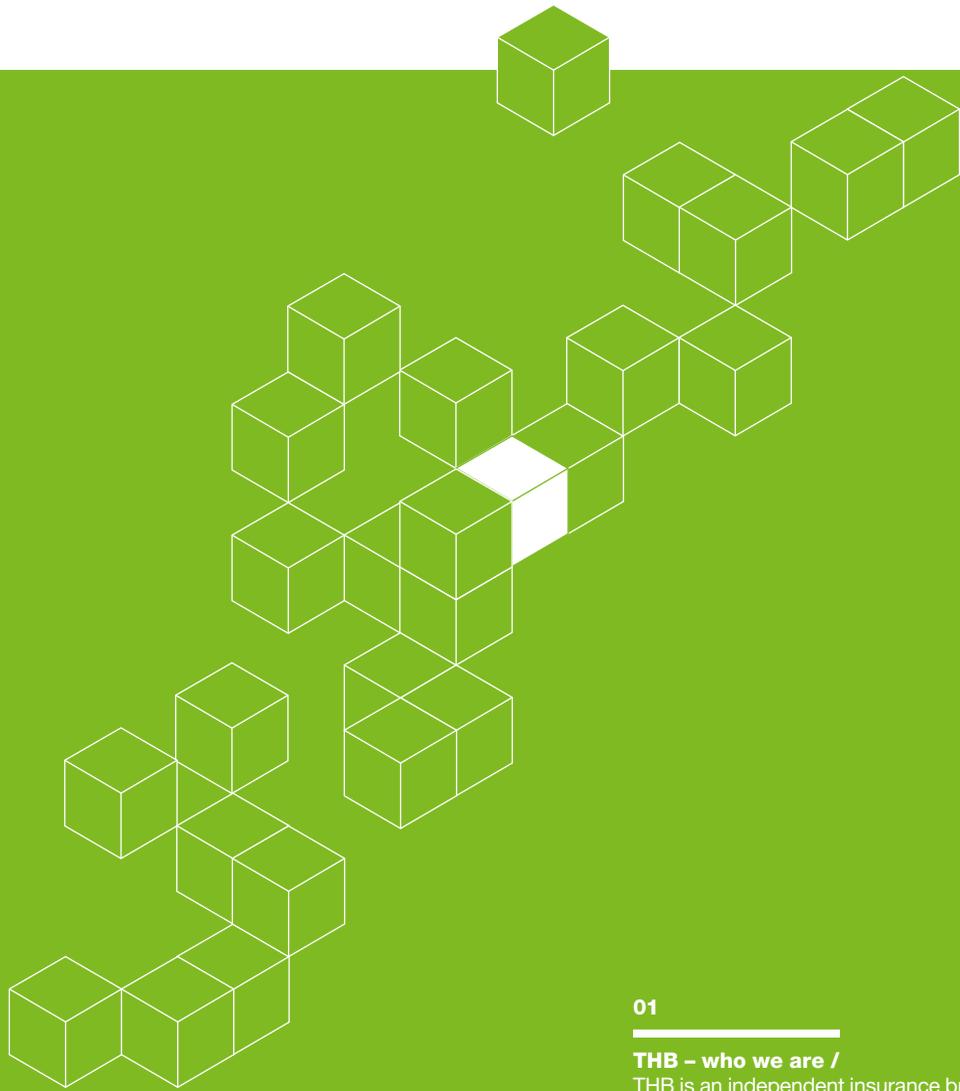




08
09



THB ■ Trusted Partners ■ Renewed Purpose



01

THB – who we are /

THB is an independent insurance broker with over 40 years' standing, based in the City of London. The Group employs over 450 people in ten countries, operating in specialist teams with expert knowledge of specific areas of risk. These teams act as trusted advisers for our clients in the design and planning of their insurance, reinsurance and other risk management solutions, often in circumstances where insurance cover is difficult to obtain because the risks are unusual or highly complex, and in the negotiation and placement of policies with Lloyd's underwriters and other worldwide insurers.

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What we do /

From its beginnings in 1968, THB has taken a selective approach to business. We have never been all things to all people, but have chosen to focus on doing what we do best.

In practice, this has meant staying true to the core principle of building and maintaining relationships throughout the insurance industry that are vital to the role of a successful broker and providing excellent service to our clients. At the same time, the underwriters we deal with know that, although we broke in a robust manner, they can both trust us and expect us to win accounts if they work with us.

Over time, THB has welcomed, developed and rewarded individuals and teams who have brought their talents to its business, all the while holding to the core principles that underpin successful broking, so that, four decades on, the THB name remains synonymous with integrity.

THB has sought to grow and develop to remain competitive in rapidly changing markets. The Group is organised into three main operational areas – Thompson Heath & Bond Limited, International Broking and THB UK.

Thompson Heath & Bond Limited

At the core of THB is the Lloyd's broker, Thompson Heath & Bond Limited. Based in the heart of the London insurance market, this is one of the largest and most successful independent Lloyd's broking operations in the specialty market sector. The business comprises wholesale and retail insurance and reinsurance divisions, which arrange cover for risks relating to businesses and individuals in the UK, the US and throughout the world. The Lloyd's broker also maintains an office in Amsterdam to serve clients in a growing number of European countries.

THB International Holdings Limited

Further overseas offices in Singapore, Taiwan, Miami and Colombia, and interests in Dubai and Peru, comprise THB's International Broking division. Through this network, THB can reach and service clients throughout Asia, the Middle East and South and Central America.

THB UK Limited

The THB UK division is composed of three distinct businesses. *THB Risk Solutions* is a UK distributor of insurance schemes. Working with insurers, this business develops and markets a range of insurance schemes to a network of preferred retail brokers. *Unicorn Underwriting*, the Group's managing general agency, provides a platform for underwriting highly specialised areas of insurance on behalf of selected carriers. *Cardinus Risk Management* provides innovative risk assessment and e-learning services in the growing health and safety market, assisting employers, property owners and insurers to monitor and manage a wide range of duty of care risks.



Summary of results /

Additional detail is provided in the Chairman's Statement and the Review of Operations.

Summary of results

	2009 12 months Audited	2008 12 months Unaudited	2008 18 months Audited
Fees & commissions	£46.2 million	£39.0 million	£51.9 million
Underlying broking profit*	£5.3 million	£3.7 million	£3.9 million
Underlying broking margin*	11.5%	9.6%	7.6%
Profit before tax	£0.6 million	£0.6 million	£0.9 million
Underlying profit before tax*	£3.6 million	£3.5 million	£4.1 million
Diluted earnings per share	2.42p	0.46p	1.20p
Underlying diluted earnings per share*	9.42p	8.25p	10.11p
Dividend per share	2.5p	5.6p	6.85p

* Underlying results are before exceptional items, amortisation and impairment of intangibles;
Broking Profit is Fees & Commissions less Operating Charges

Financial highlights /

New CEO and management team completed ambitious strategic review

Fees and commissions +18% despite the continuation of soft market conditions

Broking profit +43% reflecting improved margins

Underlying profit before tax +2% despite significantly lower investment returns

Benefit of the stronger US dollar expected to contribute in 2010 and beyond

+18
43
2
\$

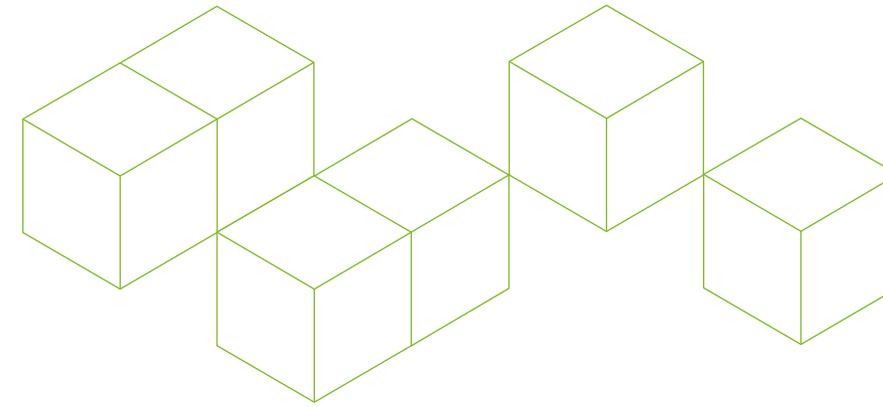




06/07

Chairman's statement /

We continue to attract and retain highly motivated people who take pride in delivering a first rate service to our clients
Nigel Moorhouse, Chairman



Performance

The Group has made very good progress in the year ended 31 October 2009, reporting strong growth in fees and commissions and improving broking margins. The succession of Frank Murphy as Group Chief Executive was carried out seamlessly and these results reflect a promising start to his leadership of the business.

Fee and commission income for the year was £46.2 million (2008 – 18 months: £51.9 million), up by 18% from the comparable year to October 2008 (£39.0 million). This was partly as a result of acquisitions, but also reflected healthy organic growth across a number of classes in the second half of the year, and was achieved in the face of headwinds in insurance markets, as the hard market anticipated by many industry commentators did not materialise.

Broking profit (Fees & Commissions less Operating Charges before exceptional costs) advanced strongly, up 35% to £5.3 million in 2009 (12 months) from £3.9 million reported in the 18 months to October 2008. The result represents a 43% increase on the unaudited twelve months to October 2008. This was achieved by focusing on the cost base, accounting for an improvement in broking profit margin to 11.5% from 9.6%.

Underlying profit before tax, after adjusting for amortisation and impairment of intangibles and goodwill and exceptional costs, for the year to 31 October 2009 was £3.55 million (2008 - 18 months: £4.07 million). Profit before tax was £0.58 million (2008 - 18 months: £0.91 million), reflecting higher exceptional costs associated with the acquisition of the PWS business and lower investment returns due to sharp falls in bank deposit interest rates early in the year.

Underlying diluted earnings per share were 9.42p compared with 10.11p in the 18 months to October 2008, while diluted earnings per share improved from 1.20p to 2.42p.

Strategic review

Following a full business review, the Board has approved a three year strategic plan, which will focus growth on higher margin specialist areas of the insurance market and on achieving greater operational efficiencies in core activities. We believe that the opportunity for margin improvement from this three-year programme is significant.

The Lloyd's broking division will pursue growth both organically and through acquisitions, building particularly on areas of established market leadership. The Unicorn managing general agency business will be further developed, providing a vehicle to incubate talented underwriting entrepreneurs with skills in specialist niches. The Risk Management business had its most successful year to date, with ergonomics and motor fleet health and safety operations

merged for future development under a single management team. Internationally, the focus will be on extending the reach of the existing business in the Far East, as well as targeting growth opportunities in the Middle East and South America.

The key assets – our people

I would like to thank all of our staff for their hard work and dedication in the year. We continue to attract and retain highly motivated people who take pride in delivering a first rate service to our clients.

Leadership

Frank Murphy has brought new vigour and determination to the leadership of the executive team. His approach is highly focused and his energy and ability will be key to driving the ambitious plans before us.

Steve Matanle joined the Board in November 2009, having been appointed to lead the Lloyd's broking division from May 2009. He is an experienced insurance broker, with a long and successful career at global broker, Marsh McLennan. His insight and deep understanding of the London and international insurance markets will be of real value in the development of the Group.

The Board has been further strengthened by the appointment of Charles Keay as a non-executive director in May 2009. Charles is an experienced banker, having been a director of N M Rothschild & Sons for many years. His knowledge of financial markets will be an asset to the Group's acquisitive growth plans.

Dividends

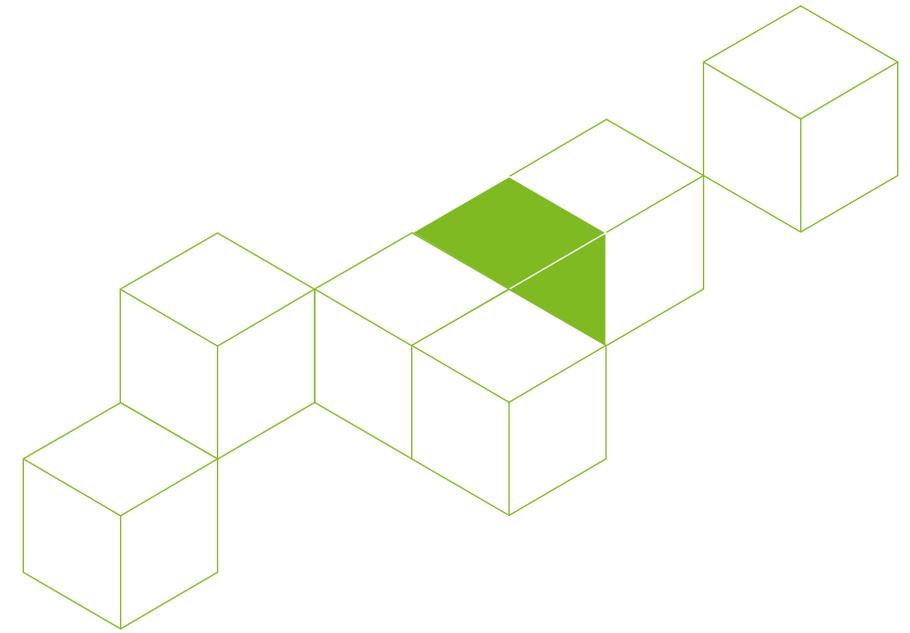
The Board is recommending a final dividend of 1.25 pence per share, bringing the total for the year to 2.5 pence (2008: 5.6p). This represents a strategic re-alignment to the previous dividend policy, with greater cash retention in the business to support the Group's future development plan and the prospects for capital growth that will flow from its achievement. Dividends will in future be paid out of profits earned in the year to which they relate and will be determined by reference to underlying earnings per share. The Board recognises the importance of the dividend to shareholders and expects to maintain dividend cover on this basis in the range 3.5 to 4 times. However, this will not preclude the possibility of paying special, one-off dividends in future, as the Company did following the sale of its Provincial Retail business in 2006.

The proposed dividend will be put before the members at the annual general meeting to be held on 16 March 2010. The record date for the dividend will be 5 February 2010 and, subject to shareholder approval, the dividend will be paid on 19 March 2010.

Chairman's statement /

Insurance rates are at historically low levels and although we do not predict any dramatic short term hardening, we believe that the trend of the next few years will be in that direction

Nigel Moorhouse, Chairman



Opportunities

The Board is keenly aware of exciting opportunities in the year ahead, notably to improve margins further and to attract new teams and businesses to complement our strongest areas. In addition, whilst acknowledging the dampening effect of recession generally, we can see that the business has a number of clear upsides. Insurance rates are at historically low levels and although we do not predict any dramatic short term hardening, we believe that the trend of the next few years will be in that direction. This is particularly so for certain classes of business, including motor fleet and professional indemnity. Property rates will inevitably continue to depend on events of a catastrophic nature, which cannot be predicted, but some other classes have reached a point where carriers are finding it difficult to make an underwriting profit without the ability to rely on investment income as in the past.

The recent positive trend in foreign currency exchange rates offers a more certain benefit to the Group. The business continues to be exposed mainly to the conversion of US dollar commissions into sterling. Some 50% of the Group's income is denominated in US dollars, with minimal offsetting dollar costs. Dollar strength in comparison to sterling has had a limited benefit in the last twelve months, because of the policy of forward selling. However, the Group will accrue the benefit of improved conversion rates going forward – every 10 cent improvement in achieved dollar conversion rates is worth £0.8 million to the Group at current business levels. In addition, should interest rates start to increase in the next twelve months, as some commentators are predicting, the Group would expect to generate approximately £0.2 million of investment income for every 1% rise.

The Board anticipates that the combined impact of the new team and the strategic initiatives will enable THB to build on its reputation for professional service and integrity and deliver value to our shareholders, clients and staff.

Nigel Moorhouse
Non Executive Chairman





10/11

Review of operations /

There are also numerous consolidation and team acquisition opportunities in our markets and these will be carefully assessed to maximise return on investment
Frank Murphy, Group Chief Executive

Market trends

2009 saw insurers benefit from low catastrophe losses and a recovery in their balance sheets after the write-offs of 2008. The injection of government liquidity into financial markets generally and, through AIG, into the insurance market, served to stabilise the position. As a result, the hardening of rates, which was forecast early in 2009 as a means of restoring insurers' balance sheets, was deferred. Initial signs that some classes, such as motor fleet, were turning in the middle of 2009 proved to be short-lived and rates generally levelled out or indeed continued their downward trajectory.

Business performance – Lloyd's Broker

Under the new leadership of Steve Matanle, appointed CEO of the Lloyd's broker in May 2009, turnover for the Lloyd's Broker was £35.2 million for the year to October 2009 (2008 - 18 months: £41.6 million), up 15% from £30.6 million in the same twelve month period the previous year. Strong business development performances in a number of areas, notably European reinsurance and global professional indemnity, delivered overall good organic growth. Broking margins improved year-on-year, rising from 7.5% in the year to October 2008 to 10.3% in 2009.

Comparing the performance of the different business lines within the Lloyd's Broker in the twelve months to October 2009 against the preceding twelve months, North American income was up by 5%, in spite of continuing soft rates in a further year of low hurricane activity. UK wholesale commercial lines grew in the same period by 2%, with flat rates suggesting that the bottom of the cycle is close. Financial lines, professional indemnity and directors' and officers' business continued its dramatic growth trend, up by over 50% in the year, and, perhaps more impressively, this was largely the result of new business wins rather than rate rises. The retail book (mainly sport-related and security industry personal accident) grew strongly for a second consecutive year, rising by 20%. The global facultative reinsurance book, acquired as part of the PWS acquisition, comprising international property, construction, marine, treaty and accident and health, contributed over £9 million of income in the year, compared with less than £6 million in the nine months following its acquisition in the preceding period, assisted by very strong organic growth in the European team operating from its hub in Amsterdam.

The Lloyd's broker will continue to seek complementary acquisitions and to recruit specialist skills to strengthen existing teams. In line with this strategy, a treaty team joined THB in January 2010 and we are aware of other high quality, disaffected brokers and teams that may be added to other divisions during the current year.

Business performance – International (insurance broking)

This division saw some restructuring in the year to October 2009, with the sale of its interests in Korea and closure of the Brazil office, but nonetheless returned a broking profit in the second half. At the core of the division is a strong business based in Singapore, giving access to growing economies in the Far East. In spite of continuing low rates in this region, this business achieved income growth of 10% in the second half of the year and established a new

collaborative venture in Hong Kong, which offers the prospect of a relatively low risk inroad into the emerging Chinese market.

This division works closely with teams in the Lloyd's broker to ensure that the right technical expertise is made available to our overseas offices for the benefit of clients wherever they may be in the world.

Business performance – THB UK (risk management & insurer services)

THB UK, led by divisional chief executive Andy Hawkes, increased turnover for the year to October 2009 to £8.6 million (from £8.5 million for the 18 months to October 2008), a rise of 30% from £6.6 million in the year to October 2008.

Comparing the year to 31 October 2009 with the preceding twelve months, income for Risk Management, now operating under the 'Cardinus' brand, advanced strongly, due to a number of major blue chip contract wins and the acquisition of Property Risk Management, which broadened the product range. This business generates predominantly non-cyclical sterling income and operates in growing markets with an impressive client list of UK and US corporations and an increasingly respected brand name.

THB Risk Solutions' result reflected softer rates in the motor fleet sector as the cycle nears the bottom. This is a cyclical business, which we expect to flourish once the market turns for motor fleet rates, typically the bellwether of the UK insurance industry. This business will then enter a period of real opportunity and we continue to stand by last year's prediction that 2009 would be a low point for this business, with 2010 expected to show some improvement.

During 2009, Unicorn Underwriting established itself as a new managing general agency ('MGA') and successfully grew and sold a bloodstock underwriting book. The sale contributed to growth in income from £0.6 million to £1.8 million in the year. The Unicorn model offers an attractive opportunity to entrepreneurial underwriters and we intend to recruit new teams with specialist skills in defined niches to underwrite risks on behalf of selected carriers.

Outlook

The new team has started positively and we intend to build on the momentum created. A hardening of rates in our core insurance markets is possible but beyond our control and we intend to focus rather on securing further organic growth and margin improvement from planned operational efficiency gains. Better hedged conversion rates for the US dollar will further contribute to trading performance this year. There are also numerous consolidation and team acquisition opportunities in our markets and these will be carefully assessed to maximise return on investment. It promises to be a busy year, but I have confidence that the team will deliver.

Frank Murphy
Group Chief Executive

The reversal of the long period of US dollar decline since 2003 experienced during 2009 has presented an opportunity for the Group
Rob Wilkinson, Finance Director



Basis of presentation

The Annual Report includes the consolidated income statement, balance sheet, cash flow statement, statement of recognised income and expense and Parent Company balance sheet for the year ended 31 October 2009, together with related notes, and comparative figures for the previous 18 month period.

The Group financial statements have been prepared using accounting policies that comply with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Parent Company financial statements have been prepared on the basis of UK Generally Accepted Accounting Practice and are presented separately from page 63.

Unaudited results have been used for comparative purposes for the twelve months to 31 October 2008. These figures were presented in the Financial Review in last year's annual report.

Performance

Table 1 sets out for comparative purposes the performance of the Group by segment in each of the years ended 31 October 2009 and 2008.

	12 months to October 2009			12 months to October 2008		
	Audited Turnover £'000	Audited Profit £'000	Broking Margin	Unaudited Turnover £'000	Unaudited Profit £'000	Broking Margin
Lloyd's Broker International	35,207	3,615	10.3%	30,636	2,284	7.5%
THB UK	2,405	(40)	(1.7)%	1,787	91	5.1%
Unallocated	8,625	2,005	23.2%	6,626	1,203	18.2%
	-	(248)		-	152	
Underlying broking profit	46,237	5,332	11.5%	39,049	3,730	9.6%
Investment income		138			887	
Depreciation		(804)			(677)	
Underlying operating profit		4,666			3,940	
Exceptional costs		(1,572)			(1,184)	
Amortisation		(1,897)			(1,579)	
Impairment		493			(123)	
Net finance result		(1,105)			(508)	
Associates		(10)			44	
Profit before tax		575			590	

Exceptional items and impairments

The net loss from exceptional items and impairments was £1,080,000 in the year to October 2009, compared with £1,307,000 in the 18 months to October 2008. This included £120,000 of exceptional restructuring costs (2008: £869,000) and £1,452,000 for exceptional bonuses payable under incentivisation agreements entered into with certain key members of the PWS team which will run to April 2012. These exceptional bonus payments will depend on the continued employment of the relevant staff and will be satisfied by a mixture of new THB shares and cash, in a ratio of 50:50. Reversal of prior years' impairment resulted in a net credit of £493,000 (2008: impairment charge £123,000).

The values of both goodwill and intangible assets carried in the balance sheet have been tested at each period end for impairment. THB uses detailed three-year trading forecasts, taking account of historical trading and expectations for market development, to derive cash flow projections for these assets. Cashflows beyond the initial three-year period are extrapolated using growth rates up to a maximum of 3% for years four to six and nil thereafter. The weighted average cost of capital of the Group is used to discount the cash flows.

Earnings per share

Basic and diluted earnings per share from continuing operations were 2.54p and 2.42p (2008 - 18 months: 1.25p and 1.20p). Underlying basic and diluted earnings per share were 9.89p and 9.42p, respectively (2008 - 18 months: 10.51p and 10.11p, respectively).

Dividends

The Board is recommending a final dividend of 1.25 pence per share,

bringing the total for the year to 2.5 pence per share. The Board has re-aligned its dividend policy in order to retain more cash in the business. This is considered appropriate to support achievement of the Group's strategic plan, in view of the opportunities for capital growth identified at this time. Dividends will in future be paid out of profits earned in the year to which they relate and will be determined by reference to underlying earnings per share. The Board expects to maintain dividend cover on this basis in the range 3.5 to 4 times.

Acquisitions & divestments

Total cost of acquisitions in the year under review was £1.5 million (2008: £14.1 million), of which £0.8 million was deferred and the balance funded out of the Group's own cash. Sale of an MGA book of business generated net income in the year of £0.8m.

Cash flow

The consolidated cash flow statement has been prepared in accordance with IFRS, under which cash is defined as cash in hand and deposits (less overdrafts) repayable on demand. This statement shows separately the Group's own funds and the fiduciary funds generated by insurance broking transactions and held on behalf of clients and insurers.

The Group's own cash balances on this basis reduced by £4.0 million during the year, largely reflecting the increase in unearned brokerage held in fiduciary accounts, following a decision to conform the treatment of reinsurance client monies with that of insurance client monies under CASS rules from May 2009. Net cash inflows from operations were £5.5 million higher, reflecting movements on non-insurance debtors and creditors.

Financial review /

Balance sheet, financing & liquidity

Total equity increased by £2.9 million in the period. The Group is financed by retained profits, equity, preference shares, loan stock and committed bank facilities. The Group's gross gearing ratio reduced to 67% at 31 October 2009 (2008: 81%). Excluding the convertible preference shares treated as borrowings, gross gearing was 48% (2008: 59%). The repayment profile of this debt mitigates the risk of this level of gearing, with repayments scheduled as follows:

	Bank debt £'m	Finance leases £'m	Loan stock £'m	Preference shares £'m	Total repayments £'m
2010	1.6	0.3	0.1	–	2.0
2011	1.7	0.3	–	–	2.0
2012	2.5	0.2	–	–	2.7
2013	0.8	0.2	1.0	–	2.0
2014	0.1	–	3.0	–	3.1
2015	0.1	–	–	1.0	1.1
2016	–	–	–	0.9	0.9
2017	–	–	–	0.9	0.9
2018	–	–	–	2.8	2.8
	6.8	1.0	4.1	5.6	17.5

Financial and capital risk management

The international nature of the Group's operations and its debt and liquidity profile expose it to a range of financial risks, including counterparty credit risks and the risk of changes in foreign currency exchange and interest rates. The Board has approved financial management policies in respect of these risks and uses financial instruments, including derivatives, to manage them. It is not Group policy to engage in speculative activities unrelated to underlying commercial transactions connected with its core business of insurance broking and risk management. Further explanation of the Group's approach to financial and capital risk management is given in notes 26 to 28 to the Group financial statements.

Foreign exchange risk

A key risk factor for the business is the US dollar exchange rate against the Group's reporting currency, sterling. Although the proportion of Group income denominated in US dollars has fallen as a result of stronger growth in Euro and sterling income, it still accounts for 49% (2008: 54%). The Group has adopted a rolling hedging policy, which is intended to smooth rather than eliminate the impact on results of movement in the US dollar/sterling exchange rate,

but cannot eliminate the effect of a long term decline in the dollar.

This policy, which is reviewed regularly by the Board in light of broad economic conditions and independent forecasts for exchange rates, is to maintain cash flow hedges at all times to cover:

- Between 40% and 80% of expected net dollar inflows for the next 12 months;
- Up to 50% of expected net dollar inflows in the period 13-24 months forward; and
- Up to 33% of expected net dollar inflows in the period 25-36 months forward.

The reversal of the long period of US dollar decline since 2003 experienced during 2009 has presented an opportunity for the Group to secure potential improvements in the achieved US dollar over the next two years. The above hedging policy, designed to protect the Group's results against a significant deterioration in this key exchange rate, inevitably deferred the benefit of the improvement so that its impact on the trading performance in 2009 was very limited. Table A below shows how the Group's performance has been affected by the long period of decline in the dollar and Table B sets out the extent of future hedges in place at the date of this report.

Table A

US dollar exchange rate 2002-09	Average of month end rates the for year	Exchange rate achieved after hedging	Impact of USD decline on profit before tax applying 2002 rate achieved	
Year ended 30 April			£'m	% change from profit reported
2002		\$1.44	–	–
2003	\$1.57	\$1.56	0.5	14%
2004	\$1.72	\$1.65	1.0	26%
2005	\$1.86	\$1.81	1.6	73%
2006	\$1.77	\$1.81	1.9*	101%*
2007	\$1.92	\$1.84	2.6*	109%*
18 months to 31 October 2008	\$1.96	\$1.94	6.7	734%
Year ended 31 October 2009	\$1.54	\$1.81	4.1	717%

* continuing operations only

Table B

Forward hedges 2009-11	Proportion of expected dollar income hedged	Average rate forward hedges in place	Potential average rate applying current spot to unhedged flows**
Year ending 31 October			
2010	75%	\$1.68	\$1.67
2011	47%	\$1.59	\$1.61
2012	12%	\$1.66	\$1.62

** for indicative purposes only

Hedges shown as in place for 2012 are in the form of options, which establish a range of maximum and minimum exchange rates and are capable of being rolled into standard forward contracts at maturity. These provide the Group with considerable flexibility as they could be rolled into forward contracts with maturities up to two years. The above table assumes these options will be rolled into two year forward contracts at maturity and shows the average worst case rate on these options at maturity.

E&O insurance

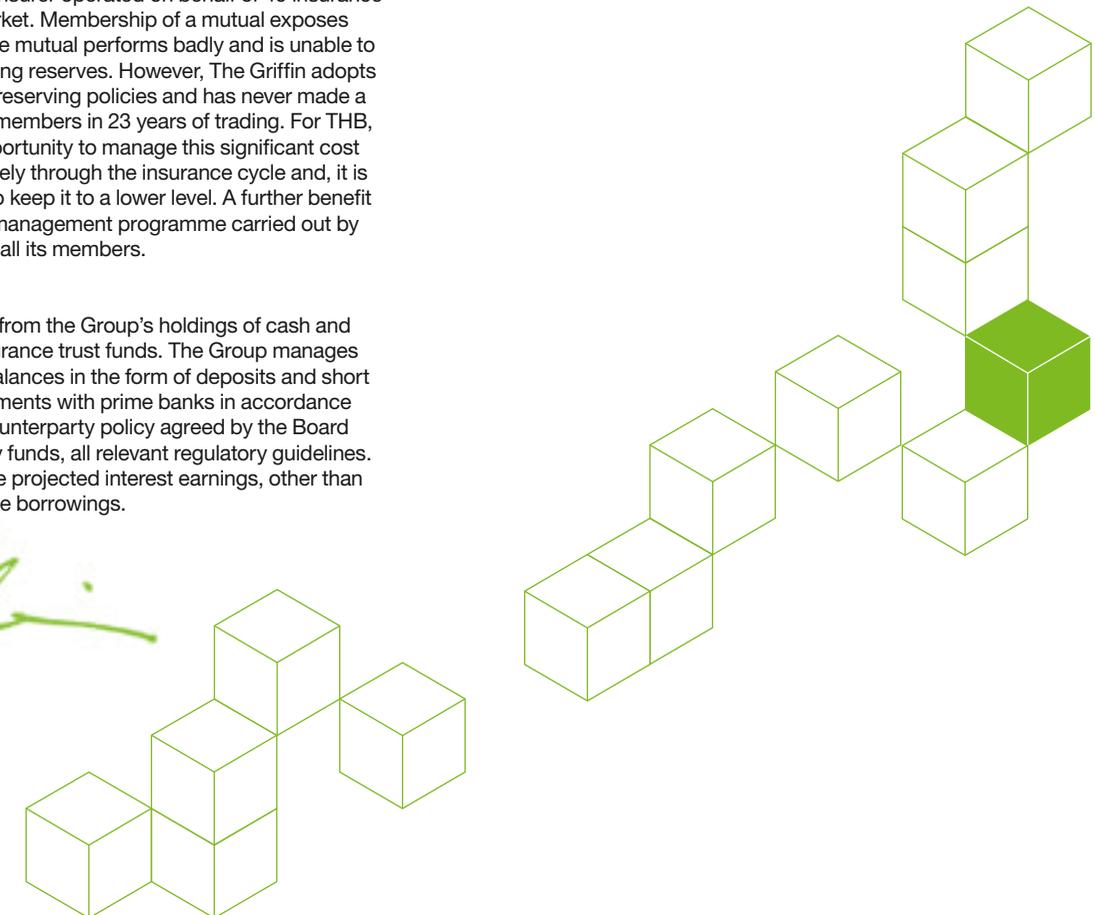
The Group maintains cover for the risk of errors and omissions at a level considered by the Board to be appropriate and which satisfies its regulators. The Group continues to place its primary E&O insurance with The Griffin, a mutual insurer operated on behalf of 40 insurance brokers in the London market. Membership of a mutual exposes THB to the risk of loss if the mutual performs badly and is unable to cover losses from its existing reserves. However, The Griffin adopts cautious reinsurance and reserving policies and has never made a supplementary call on its members in 23 years of trading. For THB, membership offers an opportunity to manage this significant cost to the Group more effectively through the insurance cycle and, it is hoped, ultimately overall to keep it to a lower level. A further benefit is the active ongoing risk management programme carried out by The Griffin's managers on all its members.

Investment income

Investment income arises from the Group's holdings of cash and investments including insurance trust funds. The Group manages its cash and investment balances in the form of deposits and short term money market instruments with prime banks in accordance with an investment and counterparty policy agreed by the Board and, in respect of fiduciary funds, all relevant regulatory guidelines. The Group does not hedge projected interest earnings, other than by means of its floating rate borrowings.



Rob Wilkinson
Finance Director



Directors /**N J Moorhouse BSc (Econ) ACA****Non Executive Chairman**

Nigel Moorhouse, 51, was appointed to the Board as a non executive director in 2000, having previously served as a non executive director of THB Limited. He is a qualified chartered accountant and has over 15 years' banking and insurance industry experience. He is also a director of a number of private companies. He succeeded Clive Williams as non executive chairman on 31 January 2009 and also chairs the Remuneration Committee.

F M Murphy**Chief Executive Officer**

Frank Murphy, 51, was appointed as a director of THB Limited in 1999 on joining THB from Arthur J Gallagher (UK) Limited, where he was a director. He became CEO of THB Limited in 2003 and was appointed to the Group Board in July 2004. He succeeded Vic Thompson as Group CEO on 30 April 2009 and is responsible for the Group's strategy, acquisitions and overall direction.

C L A F Bennett BA MBA FCIPD**Human Resources Director**

Corinne Bennett (formerly Hepworth), 48, was appointed to the Board in July 2004. She gained an MBA in 1994 and became a Fellow of the Chartered Institute of Personnel and Development in 2004. Corinne joined THB in 1999 from Drake Insurance. She is responsible for all aspects of personnel policy, practice and procedure, including employment law, recruitment, training and development within the Group.

J S Goldsmith**Non Executive Director**

John Goldsmith, 62, was appointed to the Board as a non executive director in October 2008. He was formerly chairman of insurance and reinsurance brokers Denis M. Clayton & Co Ltd, which is part of Towers Watson Inc. He also serves as a non executive director of Cathedral Underwriting Limited, Montpelier Underwriting Agency Limited and Aegis Managing Agency Limited. He is currently the senior independent director on the Board and chairs the Nominations Committee.

C R Keay**Non Executive Director**

Charles Keay, 56, was appointed to the Board in May 2009 and serves as chairman of the Audit Committee. He was formerly a director of N M Rothschild & Sons Limited, the international investment bank. He is currently a director of corporate finance adviser, McQueen Limited.

S L R Matanle BA**Chief Executive Officer, Thompson Heath & Bond Limited**

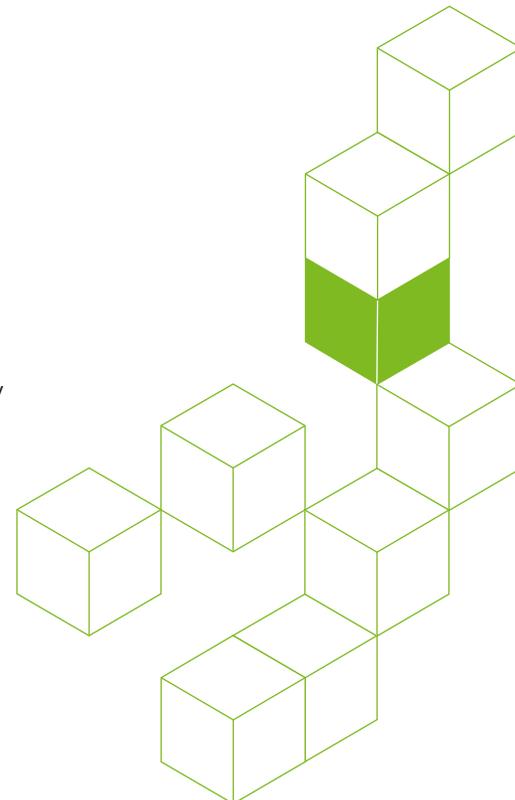
Steve Matanle, 57, was appointed as CEO of THB Limited in May 2009 and joined the Group Board in November. He was a director of Marsh McLennan UK Limited for many years. He is responsible for the Lloyd's broking operations of the Group.

A J Preston MA MBA**Director of Group Operations**

John Preston, 45, joined the Board in January 2007. He gained an MBA in 1988 and spent his early career in management consulting followed by several corporate strategy roles including seven years with Zurich Financial Services, where he was strategic planning director for the UK/Ireland, South Africa and Asia Pacific division. He is responsible for IT, change management, marketing and communications, and property and facilities.

R S Wilkinson BA ACA MCT**Finance Director**

Rob Wilkinson, 51, was appointed to the Board on joining the Company as Finance Director in 2002. He qualified as a chartered accountant with Price Waterhouse Coopers and joined its Corporate Finance division. After leaving PWC he was finance director of a number of companies, both private and public. He is responsible for financial planning and control, risk management and acquisitions.

**Directors' report /****1 / Principal activity & business review**

THB Group plc is a holding company, the principal subsidiary and associated undertakings of which are engaged in insurance and reinsurance broking and risk management. A review of the Group's trading activities and prospects is included in the Chairman's Statement, the Review of Operations and the Financial Review on pages 6 to 15 and should be read as part of this report.

2 / Results & dividends

The financial statements, which deal with the results of the Group for the period ended 31 October 2009, are shown on pages 26 to 62. The profit attributable to shareholders amounted to £822,000 (2008, 18 months: £348,000). An interim dividend of 1.25p per share was paid in August 2009. A final dividend of 1.25p has been proposed by the Board for approval at the Annual General Meeting to be held on 16 March 2010.

	Notes below	31 October 2009 Ordinary shares of 10p each	31 October 2009 Share options	31 October 2008* Ordinary shares of 10p each	31 October 2008* Share options
N J Moorhouse		220,350	–	220,350	–
F M Murphy	1	1,200,000	3,131	1,200,000	3,131
C L A F Bennett	1, 2, 4	29,300	76,565	29,300	26,565
J S Goldsmith		100,000	–	12,000	–
C R Keay		–	–	–	–
A J Preston	3, 4	77,435	450,000	77,435	200,000
R S Wilkinson	1, 4	167,126	251,042	167,126	1,042

*or date when appointed director if later

Table notes

- Share options were granted to C L A F Bennett (1,565), F M Murphy (3,131) and R S Wilkinson (1,042) on 4 September 2003 at the mid-market price of 128p per share. These options are exercisable before 4 September 2013, subject to average compound growth in earnings per share over three consecutive years exceeding the Retail Price Index plus 3% per annum.
- 25,000 share options were granted to C L A F Bennett on 8 October 2003 at the mid-market price of 134.5p per share. These options are exercisable before 8 October 2013, subject to average compound growth in earnings per share over three consecutive years exceeding the Retail Price Index plus 8 per cent per annum.
- Share options were granted to A J Preston, on 19 January 2007 at the mid-market price of 113.5p per share. These options are exercisable between 19 January 2010 and 18 January 2017.
- Share options were granted to C L A F Bennett (50,000), A J Preston (250,000) and R S Wilkinson (250,000) on 5 August 2009 at the mid-market price of 72.5p per share. These options are exercisable between 5 August 2012 and 4 August 2019. 200,000 share options were also granted to S L R Matanle at the same date and on the same terms.

3 / Directors & their interests

The directors set out below have held office during the whole of the period from 1 November 2008 to the date of the report unless otherwise stated:

C R Williams (resigned 31 January 2009)

V H Thompson (resigned 30 April 2009)

N J Moorhouse

F M Murphy

C L A F Bennett (formerly Hepworth)

J S Goldsmith

C R Keay (appointed 1 May 2009)

S L R Matanle (appointed 2 November 2009)

A J Preston

R S Wilkinson

In accordance with the Articles of Association, C L A F Bennett and R S Wilkinson retire by rotation and, both being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. C R Keay and S L R Matanle also present themselves for re-election, having been appointed since the last AGM.

The interests of each director and their immediate families in the shares of the Company as at 31 October 2009, all of which are beneficial, are as indicated below.

C R Williams and V H Thompson resigned as directors during the year to 31 October 2009. Their interests in the Company's ordinary shares of 10p each at 31 October 2008 were 25,000 and 5,500,000, respectively.

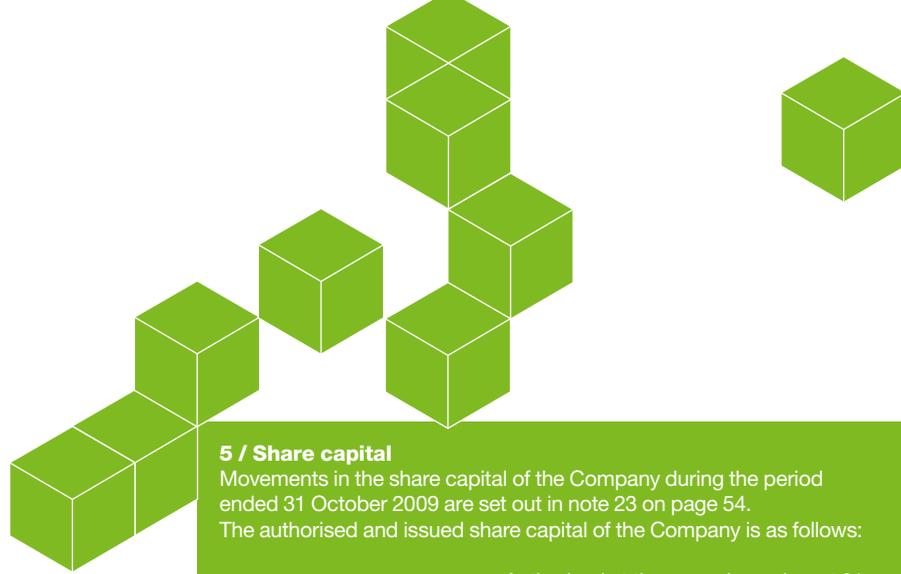
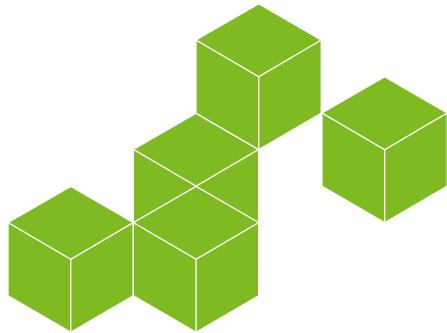
The interests of the directors were unchanged at the date of this report. No director had an interest in the share capital of any of the Company's subsidiaries.

Full details of the directors' remuneration are shown in the Directors' Remuneration Report on pages 22 to 23. During the period under review, no director had a material interest in a contract, disclosable pursuant to sections 177 and 182 of the Companies Act 2006, to which the Company or any of its subsidiary undertakings was a party.

4 / Substantial shareholders

At the date of this report, the Company had been notified of the following major interests, each representing 3% or more of the existing issued ordinary share capital:

Shareholder	Ordinary shares	% held
V H Thompson	4,500,000	13.82
D A Ulph	3,676,500	11.29
D Saville	2,325,000	7.14
T Duggan	2,325,000	7.14
Gartmore Investment Limited	1,708,590	5.25
F M Murphy	1,200,000	3.69
K L Ellis	1,070,578	3.29



5 / Share capital

Movements in the share capital of the Company during the period ended 31 October 2009 are set out in note 23 on page 54.

The authorised and issued share capital of the Company is as follows:

	Authorised at the date of this report	Issued as at 31 October 2009
Ordinary shares	£10,605,000	£3,255,973
A Preference shares	£2,800,000	£2,800,000
B Preference shares	£935,000	£935,000
C Preference shares	£935,000	£935,000
D Preference shares	£935,000	£935,000

Of the remaining unissued ordinary share capital, £305,664 had been reserved for the exercise of options granted under the Group's share option plan and a further £714,264 for the exercise of conversion rights attaching to the A, B, C and D Preference shares. Unissued and unreserved capital at 31 October 2009 was £6,329,099.

6 / Employee share schemes

The Company has established various share incentive schemes for the benefit of employees within the Group. No grants have been made under the Group's Share Incentive Plan, but the trust, which operates the Share Incentive Plan, has purchased 112,956 shares in the market on behalf of employees at the date of this report.

A total of 680,622 options granted to employees in 2003 under the THB Group plc Company Share Option Plan 2002 were outstanding at 1 November 2008, of which 1,013 had lapsed at 31 October 2009. A total of 299,495 options granted to employees in 2006 under the THB Group plc Company Share Option Plan 2002 were outstanding at 1 November 2008, of which 7,462 had lapsed at 31 October 2009. Options granted under the THB Group plc Company Share Option Plan 2002 to A J Preston in January 2007 (200,000) and to employees in August 2009 (1,885,000) remain outstanding.

7 / Financial & capital risk

The Group's financial and capital risk management policies are addressed in notes 26 to 28 on pages 56 to 58.

8 Acquisitions

The Group made the following acquisitions during the period under review, details of which are set out in note 29:

- i) Globesure Holdings Limited, an international facultative reinsurance broker, on 18 December 2008;
- ii) Property Risk Management Limited, a risk management consultancy, on 10 June 2009;
- iii) Specialists in the Protection of Risks Limited, a property risk management consultancy, on 5 November 2008.

The Group also completed the acquisition of the minority shares in FiSure Holdings Limited on 7 September 2009.

9 / Fixed assets

The changes in fixed assets during the period are detailed in notes 9 to 12 on pages 43 to 46.

10 / Charitable donations

Donations to charitable organisations during the period, comprising local charities and charities supported by staff, amounted to £3,455 (2008: £4,177).

11 / Corporate governance

The Group is committed to high standards of corporate governance and fully recognises the benefits of applying principles set out in the 2008 Combined Code on Corporate Governance ("the Code").

The compliance statement below explains how the Group has applied the relevant principles, giving due consideration to the current size and nature of the business. With this consideration in mind, there are elements of the Code that are not proposed for implementation at this time and these are highlighted below. The framework of governance will continually evolve, always keeping ahead of the development of the business and providing assurance to those with an interest in its success.

The Board: The Board comprises five executive directors and three non executive directors, Nigel Moorhouse, John Goldsmith and Charles Keay. None of the non executive directors has held an executive position within the Group or has any business or other relationship that could materially interfere with the exercise of their independent judgement. Nigel Moorhouse is non executive chairman and John Goldsmith is the senior independent director.

The Board, led by the non executive chairman, has conducted a formal review to evaluate the effectiveness of its performance and that of its committees and individual directors in accordance with guidance in the Higgs report. The Board will continue to keep the balance of executive and non executive directors under regular review.

The Company's articles provide that one third of the total directors, selected on a rotational basis, submit themselves for re-election at each annual general meeting.

The Board has a schedule of matters specifically reserved to it for decision and receives detailed papers including full management accounts on a monthly basis in advance of each Board meeting. The executive directors meet regularly with key senior managers in the business and a report of these meetings is given to the Board. In addition, the executive directors contact the non executive directors in order to discuss issues affecting the Group.

The company secretary is responsible for ensuring that Board procedures are followed. All directors have access to the company secretary and, where necessary, in the discharge of their duties, to independent professional advice at the expense of the Company. There has been no call for such professional advice during the period under review.

As permitted by the Articles, the Company has indemnified the directors against all costs, charges, expenses, losses and liabilities they may sustain in execution of their respective offices. The Company maintains appropriate directors' and officers' liability insurance in respect of legal actions against its directors. No claims had been notified under this insurance at the date of this report.

The Board has delegated certain responsibilities to three standing committees: the Audit Committee, the Remuneration

Committee and the Nominations Committee. The Chairman of each Committee reports directly to the Board. In addition, the Risk Committee is a sub-committee of the Audit Committee. The Board has agreed terms of reference for each committee.

Audit Committee: The Audit Committee comprises Charles Keay (chairman), John Goldsmith and Nigel Moorhouse, bringing to the Committee's discussions, respectively, financial, insurance broking and accountancy experience and qualifications. It meets at least four times a year to review a wide range of issues, including the annual financial statements and the interim statement, overseeing the objectivity and effectiveness of the auditors, the internal audit function and all financial regulatory compliance matters. The Committee reviews the Report to the Audit Committee produced by the external auditors.

The Audit Committee has responsibility for oversight of the Group's Risk Register and risk management processes and delegates the maintenance and regular monitoring of the Risk Register to a sub-committee, the Risk Committee. The Internal Audit department reports periodically directly to the Audit Committee on progress made on the business plan for the department, as agreed by the Audit Committee.

Remuneration Committee: The Remuneration Committee comprises Nigel Moorhouse (chairman), John Goldsmith and Charles Keay. It is responsible for the determination and application of policy relating to remuneration and benefits of executive directors of the Company. The Board as a whole determines the level of fees paid to non executive directors.

Nominations Committee: The Nominations Committee comprises John Goldsmith (chairman), Nigel Moorhouse and Charles Keay. It is responsible for reviewing and approving the appointment of new directors to the board of the Company.

Risk Committee: The Risk Committee comprises Nigel Moorhouse (chairman), Rob Wilkinson, John Preston, Steve Matanle, Andy Hawkes, Corinne Bennett and Jane Joslin. It conducts a regular review of key high-level business risks to which the Group might be exposed, concentrating primarily on the mitigation of such risks. Although compliance officers are appointed for all regulated subsidiary companies with direct responsibility to those subsidiary boards, their work is also coordinated at group level through the Group Risk Officer.

Directors' remuneration: Full details of directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report on pages 22 to 23.

Relationship with shareholders: The Board endeavours to maintain a dialogue with institutional and employee shareholders and carries out a programme of meetings and presentations each year following the publication of interim and final results. The views of shareholders expressed in these meetings are reported to the Board by the chief executive.

12 / Accountability & audit

Directors' responsibilities: Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business for the foreseeable future.

The directors are also responsible for:

- keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006;
- preparation of the directors' report and other information included in the annual report and its compliance with company law in the United Kingdom;
- safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities;
- safeguarding the integrity of financial statements to which public access is given via the Company's website;
- ensuring compliance with the AIM rules.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern: On the basis of current financial projections and other information available, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that accordingly it is appropriate for these financial statements to have been prepared on the going concern basis.

Auditors: The Audit Committee monitors the performance and value for money obtained from the auditors whose appointment is kept under regular review. The Group's present auditors are Mazars LLP.

The auditors provide advice to the Group on its tax affairs and other corporate issues, but the nature and extent of their non-audit services are not considered by the Audit Committee to affect the maintenance of their objectivity.

Internal control: The Board has ultimate responsibility for the system of internal control maintained by the Group. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable and not absolute assurance against material mis-statement or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk.

The Board, through the Audit Committee, has conducted a review, as required by the Code, of the effectiveness of the internal control system operating during the period under review. The review

has been carried out in line with the guidance set out in "Internal Control: Guidance for Directors on the Combined Code". The Board has adopted an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the period ended 31 October 2009 and remains in place.

The Audit Committee receives reports:

- through their membership of the Risk Committee, from the finance director, in respect of internal financial controls and insurer and banking counterparty security and from the operations director in respect of the Group's business continuity plans; and
- from the internal audit manager, in respect of regulatory and compliance matters referred to Internal Audit by the Committee, any risks identified by the Internal Audit function and a progress report on the Internal Audit business plan.

The Risk Committee has recently revised its terms of reference to enhance the pro-active management of risk throughout the Group and will meet at least four times a year to review the key business and financial risks, as recorded in the Group Risk Register. Membership of the Risk Committee has been expanded to include the CEO's of the two largest operating divisions.

The Group maintains a rolling three-year detailed business plan incorporating targets and planned initiatives. Business plans, at both divisional and Group levels, include the identification and evaluation of significant risks and set out actions to be taken to manage such risks. The Group's internal audit manager conducts operational and regulatory reviews throughout the Group and reports periodically to the Audit Committee on progress in implementing actions and re-assessments of the risks facing the business.

The Board reviews, on a monthly basis, the comparison between budgeted and actual financial performance. Lines of communication in the Group are short and key variances can be promptly and effectively investigated by the Board. Limits of authority for unbudgeted expenditure have been defined.

13 / Key performance indicators

The Board reviews both financial and operational performance indicators. The main financial indicators are:

- i) Profit before tax, exceptional items and amortisation and impairment of intangibles ("PBTA") – this is the principal measure of financial performance tracked by the Company's analysts. The Board has a duty to review the Company's own forecasts of PBTA against the latest analysts' forecasts and to inform the London Stock Exchange if analysts' forecasts are likely to be either exceeded or missed by more than 10%. The target set for the year, by analysts at the Company's brokers, Daniel Stewart & Company, of £3.25 million, has been exceeded by £0.25 million (9%).
- ii) Earnings per share ("EPS") – this is measured before exceptional items and amortisation and impairment of intangibles against analysts' forecasts.

	Target Pence per share	Result Pence per share
Before exceptional items, amortisation and impairment of intangibles	5.5p	9.4p

- iii) Broking margins (Fees & Commissions less Operating Charges before exceptional items) – The Company sets budgets each year against which performance is tracked every month. The broking margin achieved by the Group for the year ended 31 October 2009 was 11.5% (2008 – 12 months: 9.6%), against a forecast margin of 11.0%.

In addition to the key financial performance indicators,

the Board monitors staff turnover at a group level, recognising the crucial importance to the business of retaining the best staff. Excluding the sale of businesses during the period, under which Transfer of Undertakings (Protection of Employment) rules applied, the actual UK turnover in the period under review was 14% (2008: 16.0%), which compares favourably with the latest UK average recorded by the Chartered Institute of Personnel & Development of 17% per annum.

14 / Employment policies

It is the policy of the Group to provide a friendly and professional environment in which all members of staff are given opportunity to contribute to their best ability. The Board's objective is to ensure that the goals and ambitions of individuals and those of the Group are closely aligned. Employee involvement is encouraged with wide share ownership and participation in share option schemes.

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group. This is achieved through a consultation forum, with staff representatives duly elected from each area of the business, in accordance with the Information & Consultation Directive 2005.

The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue.

The Company considers the training of employees to be a matter of importance and provides assistance to staff in their development, encouraging professionalism and successful long-term careers with the Group. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

15 / Suppliers

The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 October 2009, the Company's non-insurer creditors represented 10 days' purchases (2008: 25 days). The Group does not have a standard or code that deals specifically with the payment of suppliers.

16 / Annual General Meeting

The notice governing the Annual General Meeting to be held on 16 March 2010 at 10am at 107 Leadenhall Street, London EC3A 4AF has been sent to shareholders with this report.

The special business comprises the renewal, within prescribed limits, of: (i) the authority of the directors to allot securities of the Company up to the available unissued capital and (ii) the disapplication of the statutory pre-emption rights.

17 / Company Number

The Company registration number is 1514749.

18 / Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of Mazars LLP as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

Stephen Crowe
Company Secretary
27 January 2010

By order of the Board
Murray House, Murray Road,
Orpington, Kent, BR5 3QY



Remuneration policy

The Group operates in a highly competitive sector and its policy on the remuneration of employees and executive directors is to provide terms and conditions, which enable it to recruit, retain and motivate individuals of sufficient expertise and commitment to further the success of the Group.

The various elements of the remuneration package of executive directors are set out below.

Basic salary

Basic salaries are reviewed annually. In assessing appropriate levels of remuneration the Committee considers available remuneration data relevant to companies in the same business sector.

Pensions

Executive directors are entitled to participate in the Group's defined contribution pension schemes on the same terms as other employees. Only basic salary is pensionable.

Other benefits and performance related remuneration

Other benefits include car allowance, life assurance cover equal to four times basic salary and private medical and permanent health cover for executive directors and their families.

The Company did not operate any formal bonus schemes within the Group for its executive directors during the period under review. Bonuses paid to directors in February 2009, shown in the table below, were discretionary in nature.

Executive directors are entitled to participate in non-discretionary awards of share options on the same basis as all other employees.

Non executive directors

The non executive directors receive directors' fees. They do not enjoy any pension benefits nor receive any other benefits. Service

agreements in respect of the non executive directors are terminable on three months' written notice by either party or in accordance with the articles of association of the Company.

Service contracts and notice periods

Each of the executive directors has a service contract with the company.

The executive directors' service contracts have no fixed term but are terminable, for John Preston, Rob Wilkinson, Corinne Bennett and Steve Matanle by six months' written notice by either party and, for Frank Murphy, by twelve months' written notice by either party. No directors' contracts include any provision for pre-determined compensation payments on termination. All executive directors' service contracts contain restrictive covenants and confidentiality undertakings to protect the goodwill and business of the Group.

Remuneration Committee

The Remuneration Committee comprises three non executive directors. The Committee has established terms of reference to:

- determine the policy of the Group with regard to the remuneration of executive directors of the Company and to establish specific packages for each such director;
- consider and approve awards under the Group's share option schemes.

The remuneration of non executive directors is a matter reserved for the Board. The Committee is directly accountable to shareholders and the chairman of the Committee will attend the Annual General Meeting and will be available to answer shareholders' questions regarding remuneration.

Combined Code compliance

As noted in the Compliance Statement, the Committee comprises non executive directors only.

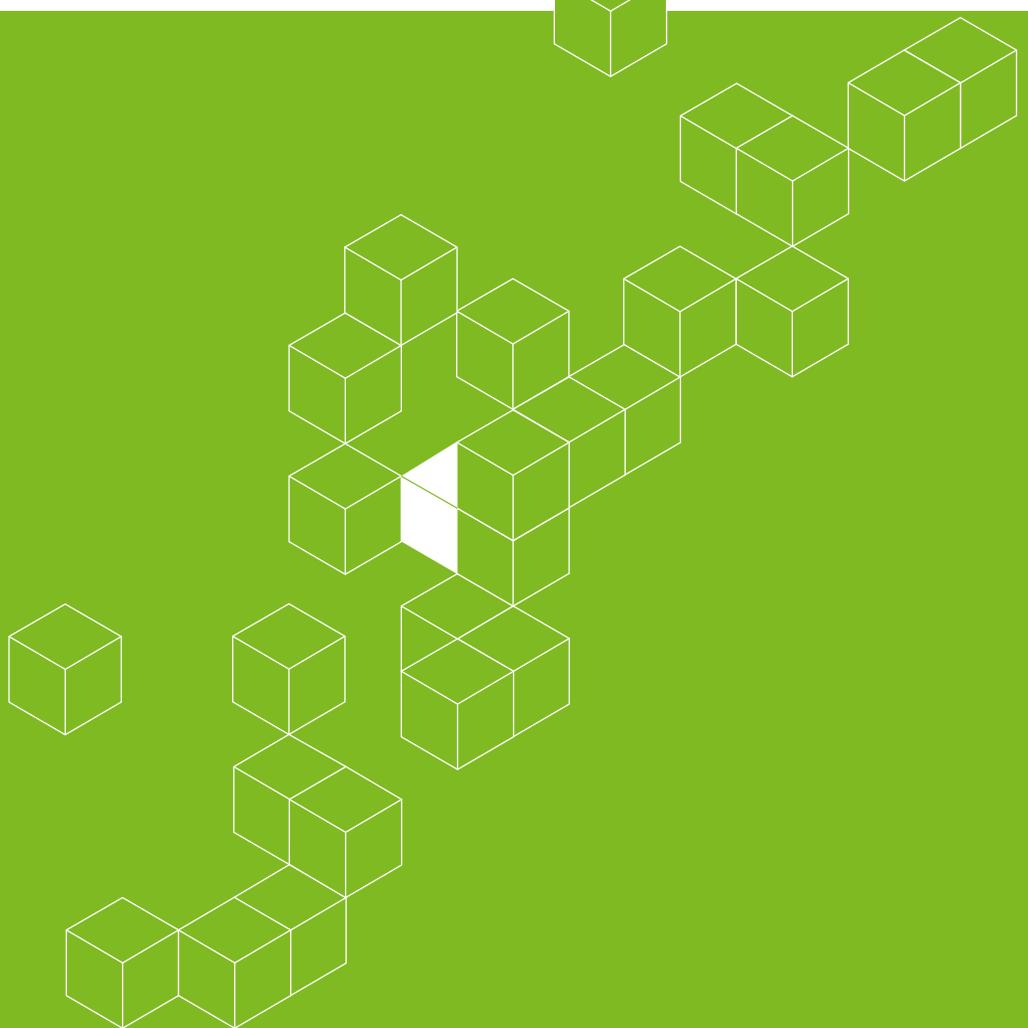
Remuneration

Details of remuneration of those who served as directors during the 12 months ended 31 October 2009 (2008: 18 months) are set out below.

Director	Basic salary £	Bonuses £	Other benefits £	2009 total £	2008 total £	2009 pension contribution £	2008 pension contribution £
C L A F Bennett	91,473	-	9,905	101,378	166,138	10,125	15,000
J S Goldsmith	61,077	-	-	61,077	3,923	-	-
M F Holbrook	-	-	-	-	63,267	-	-
C R Keay	16,667	-	-	16,667	-	-	-
N J Moorhouse	65,749	-	-	65,749	60,000	-	-
F M Murphy	267,500	12,500	9,292	289,292	563,787	12,165	18,248
A J Preston	180,000	25,000	15,586	220,586	294,934	12,165	18,248
V H Thompson	65,417	-	5,242	70,659	203,071	15,313	37,187
R S Wilkinson	170,000	25,000	9,931	204,931	296,760	12,165	18,248
C R Williams	16,667	-	-	16,667	75,000	-	-
Total	934,550	62,500	49,956	1,047,006	1,726,880	61,933	106,931

For and on behalf of the Board

Nigel J Moorhouse
Chairman – Remuneration Committee
27 January 2010



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Group financial statements /

Independent auditor's report to the members of THB Group plc

We have audited the Group financial statements of THB Group plc for the year ended 31 October 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 October 2009 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Review of Operations, the Financial Review and the Directors' Remuneration Report that is cross referred from the Directors' Report. Our responsibilities do not extend to any other information.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of THB Group plc for the year ended 31 October 2009.



Andrew Heffron (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants
(Statutory auditor)
Tower Bridge House
St Katharine's Way
London E1W 1DD

27 January 2010

Note 1 The maintenance and integrity of the THB Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Note 2 Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Group financial statements /

Consolidated income statement for the year ended 31 October 2009

	Notes	12 months 2009 £'000	18 months 2008 £'000
Fees and commissions	1	46,237	51,899
Investment income	3	138	1,637
Salaries and associated expenses	4	(31,126)	(35,331)
Premises costs		(3,123)	(2,935)
Other operating charges		(8,228)	(10,871)
Depreciation, amortisation and impairment charges	2	(2,208)	(3,000)
Operating profit	2	1,690	1,399
Analysed as			
Operating profit before exceptional items and impairment charges		2,769	2,706
Cost of restructuring operations	2	(120)	(869)
Exceptional bonuses	2	(1,452)	(315)
Impairment credits / (charges), net	2	493	(123)
Operating profit	2	1,690	1,399
Finance income	5	66	585
Finance costs	5	(1,171)	(1,114)
Net finance cost		(1,105)	(529)
Share of results of associates after tax		(10)	44
Profit before taxation		575	914
Income tax credit / (expense)	6	262	(452)
Profit for the period		837	462
Attributable to			
Shareholders of the Company		822	348
Minority interests		15	114
		837	462
Earnings per share			
Basic	7	2.54p	1.25p
Diluted	7	2.42p	1.20p

Results all relate to continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

Group financial statements /

Consolidated statement of recognised income and expense for the year ended 31 October 2009

	12 months 2009 £'000	18 months 2008 £'000
Fair value profits / (losses)		
- available-for-sale	-	(173)
- cash flow hedges	3,991	(4,305)
- taxation	(1,122)	1,291
Currency translation differences	(24)	145
Net profits / (losses) recognised directly in equity	2,845	(3,042)
Net profit	837	462
Total recognised income and expense attributable to equity holders	3,682	(2,580)
Attributable to		
Shareholders of the Company	3,667	(2,694)
Minority interest	15	114
	3,682	(2,580)

The accompanying accounting policies and notes form an integral part of these financial statements.

Group financial statements /

Consolidated balance sheet at 31 October 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	4,684	5,001
Goodwill	10	30,045	26,545
Intangible assets	11	8,419	9,734
Interests in associates	12	296	416
Deferred tax assets	21	1,658	1,596
Available-for-sale financial assets	14	-	112
Derivative financial instruments	16	621	111
Other receivables	15	127	345
		45,850	43,860
Current assets			
Trade and other receivables	15	15,039	15,712
Current tax recoverable		299	273
Derivative financial instruments	16	457	29
Cash and cash equivalents	17	40,362	49,038
		56,157	65,052
Total assets		102,007	108,912
Equity			
Capital and reserves attributable to equity holders			
Share capital	23	3,728	3,680
Share premium	24	13,227	12,955
Fair value and hedging reserves	24	915	(1,954)
Capital contribution reserves	24	1,854	1,854
Cumulative translation reserve	24	98	122
Retained earnings	24	4,739	5,042
Shareholders' equity		24,561	21,699
Minority interest	25	236	243
Total equity		24,797	21,942
Liabilities			
Non-current liabilities			
Borrowings	20	14,696	16,536
Derivative financial instruments	16	4	1,317
Deferred tax liabilities	21	2,895	2,342
Provisions and other liabilities	22	6,094	5,982
		23,689	26,177
Current liabilities			
Trade and other payables	18	49,552	56,109
Current tax liabilities		-	72
Borrowings	20	2,049	1,229
Derivative financial instruments	16	915	2,656
Provisions and other liabilities	22	1,005	727
		53,521	60,793
Total liabilities		77,210	86,970
Total equity and liabilities		102,007	108,912

The accompanying accounting policies and notes form an integral part of these financial statements.

Approved and authorised for issue by the Board of Directors on 27 January 2010 and signed on its behalf by

F M MURPHY – Director
R S WILKINSON – Finance Director

Group financial statements /

Consolidated cash flow statement for the year ended 31 October 2009

	Notes	12 months			18 months		
		2009 Corporate £'000	2009 Fiduciary £'000	2009 Total £'000	2008 Corporate £'000	2008 Fiduciary £'000	2008 Total £'000
Cash flows from operating activities							
Net cash from operations	30	3,882	156	4,038	(1,212)	3,758	2,546
Interest paid		(559)	-	(559)	(746)	-	(746)
Taxation paid		(501)	-	(501)	(1,449)	-	(1,449)
(Decrease)/increase in earned brokerage held in fiduciary accounts		(2,678)	2,678	-	909	(909)	-
(Decrease)/increase in insurance broking receivables		-	(191)	(191)	-	217	217
(Decrease)/increase in insurance broking payables		-	(7,194)	(7,194)	-	10,901	10,901
Net cash from/(used in) operating activities		144	(4,551)	(4,407)	(2,498)	13,967	11,469
Cash flows from investing activities							
Interest received		202	-	202	1,872	-	1,872
Dividends received		2	-	2	14	-	14
Purchase of property, plant and equipment		(504)	-	(504)	(2,489)	-	(2,489)
Disposal of property, plant and equipment, net of costs		-	-	-	31	-	31
Acquisition of businesses, net of cash acquired		(1,478)	-	(1,478)	(11,601)	8,032	(3,569)
Disposal of businesses, net of cash disposed		-	-	-	1,571	-	1,571
Purchase of other investments		-	-	-	(168)	-	(168)
Disposal of other investments		102	-	102	1,108	-	1,108
Net cash (used in)/from investing activities		(1,676)	-	(1,676)	(9,662)	8,032	(1,630)
Cash flows from financing activities							
Equity dividend paid		(1,182)	-	(1,182)	(2,109)	-	(2,109)
Preference dividend paid		(448)	-	(448)	-	-	-
Issue of ordinary shares		320	-	320	3,624	-	3,624
Issue of preference shares		-	-	-	5,605	-	5,605
Issue of loan stock		-	-	-	4,000	-	4,000
Borrowings received		-	-	-	7,755	-	7,755
Borrowings repaid		(1,215)	-	(1,215)	(667)	-	(667)
Net cash (used in)/from financing activities		(2,525)	-	(2,525)	18,208	-	18,208
Net increase/(decrease) in cash and cash equivalents		(4,057)	(4,551)	(8,608)	6,048	21,999	28,047
Cash and cash equivalents at start of period		7,010	42,028	49,038	1,251	23,787	25,038
Exchange (gains)/losses on cash and cash equivalents		88	(156)	(68)	(289)	(3,758)	(4,047)
Cash and cash equivalents at end of period		3,041	37,321	40,362	7,010	42,028	49,038

The accompanying accounting policies and notes form an integral part of these financial statements.

Group financial statements /

Accounting policies

General information

THB Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 74. The nature of the Group's operations and its principal activities is set out in note 1 on page 36.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Accordingly, the consolidated financial statements have been prepared under the historical cost convention, as modified to include the revaluation of derivative financial instruments, using accounting policies and presentation, which comply with IFRS. The principal accounting policies adopted in the preparation of these financial statements are set out below.

On 18 December 2008 the Group acquired the entire share capital of Globesure Holdings Limited and its wholly owned subsidiary, a newly established insurance broker, which since March 2007 has provided facultative reinsurance broking for international clients. Globesure Holdings Limited has an accounting period ending on 28 February which it had for historical reasons. Financial statements have been prepared from the date of acquisition to 31 October for the purposes of the consolidated financial statements. The directors intend to change the accounting reference date to match that of the rest of the group.

On 7 September 2009 the Group exercised its option to acquire 100% of FiSure Holdings Limited. Prior to the exercise, it owned 60% of the voting shares and 33.3% of the equity shares of FiSure Holdings Limited, which it acquired on 25 August 2006. Due to the controlling interest, 100% of the results of FiSure Holdings Limited and its wholly owned subsidiary have been consolidated from the effective date of the acquisition. Under IAS 27, losses applicable to the minority are allocated against the majority interest unless the minority has a binding obligation and is able to make an additional investment to cover the losses.

The consolidated cash flow statement has been prepared showing separately corporate funds, being the Group's own cash balances, and fiduciary funds, being funds held on behalf of clients and insurers in trust accounts.

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiaries (defined as entities controlled by the Company) made up to 31 October 2009. The profits and losses of subsidiary undertakings are consolidated from the effective date of acquisition or to the effective date of disposal. The purchase method of accounting is used and accounting policies are used consistent with those applied by the Group to calculate the fair value of assets and liabilities acquired and contingent liabilities assumed. The Group financial statements incorporate associates (defined as entities over which the Company has significant influence) under the equity method of accounting.

Adoption of new accounting standards

At the date of authorisation of these financial statements, the following standards and interpretations applicable to the Group and not applied in these financial statements were in issue but not yet effective:

IFRS 8 Operating Segments – IFRS 8 replaces IAS 14 'Segment reporting' and requires an entity to adopt a 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported is that which management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. The adoption of IFRS 8 will not have a significant impact on the identification of the Group's reportable segments.

IFRS 3 Business Combinations (Revised 2008) – The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured once control has been achieved, as the difference between the value of any non-controlling investment in the business held before the control acquisition date, the consideration transferred and the net assets acquired. In addition, acquisition-related costs must be accounted for separately from the business combination, which usually means that they will be recognised as expenses (rather than included in goodwill). The Standard will be applied to future acquisitions.

IAS 1 Presentation of Financial Instruments (Revised 2007) – IAS 1 (2007) will introduce terminology changes (including revised titles for the financial statements) and changes in the form and content of the financial statements.

Adoption of new accounting standards / continued

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

These standards will be applied in the Group's financial statements for the year ending 31 October 2010.

In addition to the above, various amendments to existing standards are in issue as a result of the *Improvements to IFRS Annual Project 2009*, which are effective for accounting periods for the year ending 31 October 2010 and 31 October 2011. The Group does not anticipate that these amendments will have a material financial impact on the Group's forthcoming annual financial statements.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired.

Goodwill arising on acquisitions completed prior to 1 May 1998 is written off directly to reserves. Following the adoption of IFRS, this goodwill remains written off to reserves and no adjustment would be made on subsequent disposal of the business to which it relates. For acquisitions completed on or after 1 May 1998 and before 1 May 2003, goodwill is stated at its amortised net book value at 1 May 2003, which is treated as its deemed cost.

All goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets

For acquisitions completed on or after 1 May 2003, the business acquired is reviewed to identify assets that meet the definition of an intangible asset set out in IAS 38. These assets are valued at acquisition on the basis of the present value of future cash flows and are amortised to the income statement on a straight line basis over the life of the contract or their estimated economic life.

Acquisitions completed before 1 May 2003 have been accounted for in accordance with UK GAAP, under which goodwill arising on consolidation, representing the fair value of consideration given over the fair value of identifiable assets acquired, was capitalised. Such goodwill was amortised over its expected useful economic life until 1 May 2003.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment

Property, plant and equipment is stated at cost when originally purchased except for freehold land and buildings, for which their deemed cost is their fair value at 1 May 2004. Revaluation reserves arising before the transition to IFRS are realised on disposal of the freehold property to which they relate. Freehold buildings are depreciated at 2% per annum on cost, taking account of residual values.

Vehicles, machinery and equipment are depreciated over their anticipated useful lives under the following methods and at the following rates:

Motor vehicles	reducing balance	25% p.a.
Office fixtures and equipment	straight line	between 12.5% and 25% p.a.
Leasehold improvements	straight line	length of lease

The residual values and useful lives of vehicles, machinery and equipment are reviewed annually.

Financial assets

Financial assets can be divided into the categories set out below. Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial asset's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the profit and loss account or are taken directly to equity. The carrying value of all financial assets approximates to their fair value.

Available-for-sale financial assets

The Group's available-for-sale financial assets comprise investments which include securities and other investments held for strategic purposes. These investments are included at fair value, with changes in fair values charged or credited to the fair value reserve until realised, unless it is not possible, due to their nature, reliably to determine a fair value. In these circumstances, they continue to be held at cost less any provision for impairment. Realised gains and losses and impairment charges are charged or credited to the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Interest on deposits is credited as it is earned.

Derivative financial instruments

The Group enters into derivative financial instruments to hedge underlying foreign currency exposures, in order to smooth the impact of movements in exchange rates on the Group's results. Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives which are designated and qualify as cash flow hedges and are highly effective are recognised in hedging reserves to the extent they are deemed effective. Amounts deferred in hedging reserves are transferred to the income statement and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement. Other changes in the fair value of derivatives, which do not meet the criteria for accounting as cash flow hedges, are charged to the income statement. Derivative financial instruments are classified in the balance sheet as either financial assets or financial liabilities, as appropriate.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when objective evidence indicates that the Group will not be able to collect all amounts due. The amount of the impairment loss is recognised in the income statement.

Financial liabilities

The Group's financial liabilities include borrowings, trade payables and derivative financial instruments. The carrying value of all financial liabilities approximates to their fair value.

Borrowings

Borrowings, which include finance lease liabilities, are carried at amortised cost and classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs in relation to financial liabilities categorised as loans, including costs incurred at inception, are recognised as part of the initial carrying amount of the liability. Such costs are then released to the income statement over the life of the instrument through effective interest rate calculations.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

Revenue

Revenue comprises net retained earnings from fees and commissions. For services other than insurance broking, revenue is recognised when the work is performed.

Insurance premiums and brokerage

Credit is taken for brokerage when the insured is charged with the relevant premium once the policy placement has been completed and confirmed, irrespective of the inception date of the policy. Alterations in brokerage arising from premium adjustments are taken into account as and when such adjustments are made. In accordance with IAS 18, a portion of revenue is deferred to recognise post-placement obligations.

Insurance broking transactions

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. In recognition of this relationship, receivables from insurance broking transactions are not included as an asset of the Group. Other than the debtor for fees and commissions earned on the transaction, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims.

Insurance brokers are, however, entitled to retain the investment income on fiduciary cash and investments arising from insurance broking transactions. Accordingly, fiduciary cash balances are included within assets on the balance sheet, as "fiduciary cash and cash equivalents", with the corresponding payable included as a liability under the heading "insurance broking creditors".

In certain circumstances, the Group advances premiums, refunds or claims to insurers or clients prior to collection. These advances are reflected in the balance sheet as part of insurance broking receivables.

Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments.

A geographic segment is engaged in providing services in a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A geographic segment is defined by location of the Group's clients.

Taxation

The charge for taxation is based on the profit or loss for the year at current rates of tax and takes into account deferred taxation.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realised or liability settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to equity in respect of any item similarly charged or credited direct to equity. Deferred tax is recognised in the income statement when the corresponding deferred gain or loss is subsequently recognised in the income statement.

Dividends

Interim dividends declared before but not paid until after the balance sheet date and final dividends approved by shareholders in annual general meeting after the balance sheet date are not recognised as a liability at the balance sheet date. Dividends are charged directly to equity.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are re-translated at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

The results after tax of foreign associates are translated at actual rates of exchange throughout the period. The balance sheet is translated at the rate ruling at the balance sheet date. Exchange differences arising from the re-translation of the opening net investment in associates are recognised as a separate component of equity.

Pensions

Contributions to the Group's defined contribution pension schemes are charged to the income statement as they are incurred.

Leases

Equipment acquired under finance leases, which transfer to the lessee substantially all the benefits and risks of ownership, are capitalised, and the capital element of the related rental obligations are included in the balance sheet. The interest element of rental obligations is charged against profit in proportion to the reducing capital element outstanding.

Rentals applicable to operating leases, where the risks and rewards of ownership are not transferred to the Group, are charged to the income statement on a straight line basis over the term of the lease.

Share-based payments

The Group has long-term incentive schemes for certain employees that are based upon the achievement of performance criteria. The fair value of options granted in exchange for the employee services received is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability growth targets). Non-market vesting conditions are reflected in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the estimate of the number of options that are expected to become exercisable is revised. The impact of any revision of original estimates is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period.

Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related results. Where estimates are revised or the final outcome differs from the amounts originally recorded, such adjustments are recognised in the period in which the revision is made.

The estimates and assumptions that have a significant effect on the carrying values of assets and liabilities are discussed below:

Property, plant and equipment

With the exception of freehold land and buildings, property, plant and equipment is carried at historical cost less depreciation calculated to write off the cost of such assets over their estimated useful lives. Management determines the estimated useful lives and related depreciation charges at acquisition but will revise the depreciation charge where estimated useful lives are found to be different from previous estimates.

Impairment of assets

Goodwill and other assets that have indefinite useful lives are tested annually to determine whether they have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverable amount of an asset or cash-generating unit is determined by reference to value-in-use calculations based on management's:

- detailed cash flow forecasts over three years; and
- extrapolated cash flows over three further years, based on profit growth assumptions ranging between 0% and 3% per annum; and
- assumption of nil growth thereafter over the remaining useful life of the asset or unit.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Indicators of impairment include significant financial difficulties of the debtor, dispute, default or delinquency in payments.

Deferred revenue

A portion of revenue is deferred to recognise the Group's continuing obligations to provide claims handling and administrative services to its clients after risks have been placed. The provision for deferred revenue is based on an estimate of the fair value of future services to be performed in respect of risks, for which fees or commissions have been charged to the insured.

Deferred tax asset

A deferred tax asset is recognised if there is sufficient evidence that the asset will be recovered within the foreseeable future. Budgets and projections for the next ten years have been used to estimate the deferred tax asset that represents the recognition of recoverable tax losses. Projections for years 4-5 have been discounted by 50% and for years 6-10 by 75%, due to the uncertainty inherent in projections this far into the future. The projections used are reviewed each year.

Deferred Consideration

The value of deferred consideration payable is contingent upon the results of the acquired businesses and any other specified performance criteria set out in the applicable sale and purchase agreements. Budgets and projections for the acquired businesses for the relevant future periods are reviewed each year.

Group financial statements /

Notes to the financial statements - 31 October 2009

1. Segment information /

Primary reporting format – Business segments

The Group is organised into three main segments: Lloyd's Broker, THB UK and International.

The Lloyd's Broker segment is based in London, Amsterdam, Orpington and Cheltenham and engages in insurance broking activities on behalf of UK and international clients, placing risks into London and international markets.

The THB UK segment provides insurance and risk management services to UK insurers, insurance intermediaries and other commercial clients, and is based in London, Peterborough and East Grinstead.

The International segment comprises the Group's interests in insurance broking operations in a number of overseas jurisdictions, including Singapore, Dubai, Brazil, Colombia and Peru.

Segment results

In accordance with IAS 14 *Segment Reporting*, segment results include the net income or expenses derived from the trading activity of the segment, including interest receivable from insurance trust accounts. The standard specifically excludes the income tax expense from segmental allocation.

Segment assets

Segment assets include non current assets, trade and other receivables, insurance broking receivables and insurance trust cash, but exclude trade investments, investments in associates and deferred tax assets.

Segment liabilities

Segment liabilities include trade and other payables, insurance broking payables, borrowings and provisions for liabilities and charges, but exclude income and deferred tax liabilities.

Investment in associates

The Group's ownership of 50% of US companies, Equisure, Inc. and Rice Place Inc., has been excluded from the segmental analysis of revenue and assets, but is shown separately as part of the Lloyd's Broker segment.

The Group's ownership of 25% of PWS Gulf Insurance Brokers LLC and 30% of PWS Peru Corredores de Reaseguros SAC has been excluded from the segmental analysis of revenue and assets, but is shown separately as part of the International segment.

Segment capital expenditure

Segment capital expenditure includes acquisitions of property, plant and equipment, goodwill and intangible assets.

Year to 31 October 2009	Lloyd's Broker £'000	THB UK £'000	International £'000	Unallocated £'000	Group £'000
Fees and commissions	35,207	8,625	2,405	-	46,237
Investment income	133	-	5	-	138
Operating charges	(31,592)	(6,620)	(2,445)	(248)	(40,905)
Exceptional costs	(1,452)	-	(120)	-	(1,572)
Depreciation, amortisation and impairment	(1,071)	(501)	(405)	(231)	(2,208)
Operating profit / (loss)	1,225	1,504	(560)	(479)	1,690
Net finance income / (cost)	-	12	9	(1,126)	(1,105)
Share of results of associates after tax	31	-	(41)	-	(10)
Profit / (loss) before tax	1,256	1,516	(592)	(1,605)	575
Income tax expense	(126)	(503)	(18)	909	262
Net profit / (loss)	1,130	1,013	(610)	(696)	837
Goodwill	21,079	7,736	1,230	-	30,045
Intangible assets	4,339	2,881	1,199	-	8,419
Other segment assets	44,855	3,208	3,447	10,568	62,078
Segment assets	70,273	13,825	5,876	10,568	100,542
Investment in associates	266	-	30	-	296
Unallocated assets	-	-	-	1,169	1,169
Total assets	70,539	13,825	5,906	11,737	102,007
Segment liabilities	(41,431)	(1,614)	(2,135)	(29,624)	(74,804)
Unallocated liabilities	-	-	-	(2,406)	(2,406)
Total liabilities	(41,431)	(1,614)	(2,135)	(32,030)	(77,210)
Segment capital expenditure	2,767	925	5	15	3,712

1. Segment information / continued

Primary reporting format – Business segments / continued

18 months to 31 October 2008	Lloyd's Broker £'000	THB UK £'000	International £'000	Unallocated £'000	Group £'000
Fees and commissions	41,620	8,492	1,787	-	51,899
Investment income	1,626	-	11	-	1,637
Operating charges	(38,807)	(7,401)	(1,696)	(49)	(47,953)
Exceptional costs	(1,184)	-	-	-	(1,184)
Depreciation, amortisation and impairment	(1,390)	(932)	(370)	(308)	(3,000)
Operating profit / (loss)	1,865	159	(268)	(357)	1,399
Net finance income / (cost)	1	22	11	(563)	(529)
Share of results of associates after tax	(34)	-	78	-	44
Profit / (loss) before tax	1,832	181	(179)	(920)	914
Income tax expense	-	-	(85)	(367)	(452)
Net profit / (loss)	1,832	181	(264)	(1,287)	462
Goodwill	18,308	6,947	1,290	-	26,545
Intangible assets	4,913	3,300	1,521	-	9,734
Other segment assets	50,606	2,097	2,698	14,835	70,236
Segment assets	73,827	12,344	5,509	14,835	106,515
Investment in associates	234	-	182	-	416
Unallocated assets	-	-	100	1,881	1,981
Total assets	74,061	12,344	5,791	16,716	108,912
Segment liabilities	(46,712)	(1,649)	(1,845)	(34,349)	(84,555)
Unallocated liabilities	-	-	-	(2,415)	(2,415)
Total liabilities	(46,712)	(1,649)	(1,845)	(36,764)	(86,970)
Segment capital expenditure	17,820	3,830	3,237	6	24,893
Secondary reporting format – Geographic segments					
The Lloyd's Broker segment is based in the United Kingdom and has operations in the Netherlands. The THB UK segment is based in the United Kingdom. The International division has operations in the Far East, the Middle East and South America. The Lloyd's Broker and International divisions derive fees and commissions from clients located throughout the world. The THB UK division derives income from clients primarily in the United Kingdom and the United States of America. Turnover by location of client, assets by location and capital expenditure based on the location where it was incurred were as follows:					
By location		Turnover £'000	Assets £'000	Capital expenditure £'000	
Year to 31 October 2009					
United Kingdom		16,060	97,209	3,695	
United States of America		13,967	648	-	
Europe		6,332	127	12	
Rest of the world		9,878	4,023	5	
		46,237	102,007	3,712	
18 months to 31 October 2008					
United Kingdom		20,985	102,729	21,608	
United States of America		17,745	330	-	
Europe		3,909	46	48	
Rest of the world		9,260	5,807	3,237	
		51,899	108,912	24,893	

Group financial statements /

Notes to the financial statements - 31 October 2009 / continued

2. Operating profit /

The following items have been charged / (credited) in arriving at operating profit:

	12 months 2009 £'000	18 months 2008 £'000
Realised foreign exchange loss / (gain)	1,908	(184)
Impairment (credit) / charge, intangible assets	(552)	211
Change in impairment value, goodwill	59	(88)
Amortisation of intangible assets	1,897	1,850
Depreciation on property, plant and equipment		
– owned assets	723	832
– leased assets under finance leases	81	195
Total depreciation, amortisation and impairment charges	2,208	3,000
Loss on disposal of property, plant and equipment	-	5
Operating lease rentals		
– land and buildings	1,451	1,389
– other	296	397
– income from land and buildings	(68)	(80)
Exceptional Items		
Cost of restructuring operations	120	869
Exceptional bonuses	1,452	315
	1,572	1,184

The foreign exchange gain or loss relates to the difference between the actual exchange rate on the sale of fees, commissions and interest received in foreign currencies and the exchange rate at which such income was originally recognised.

The cost of restructuring operations resulted from the acquisition of the business of PWS International. This led to restructuring of both the acquired and the Group's existing Lloyd's broking operations. The exceptional

bonuses were in respect of incentivisation agreements with certain key members of the PWS International team to secure their future services following the acquisition, as a form of earnout consideration dependent on the performance of the business in the four years to 30 April 2012. These exceptional bonus payments will depend on the continued employment of the relevant staff and will be satisfied 50% in cash and 50% in new THB shares.

	12 months 2009 £'000	18 months 2008 £'000
Remuneration of auditors		
Fees payable to the Company's auditors for the audit of the annual accounts	58	48
Audit of the Company's subsidiaries pursuant to legislation	100	69
Interim review	15	15
Regulatory audits	8	15
Tax advisory services	38	15
All other services	18	-
Total remuneration of auditors (included in Other operating charges)	237	162

Remuneration of auditors

Interim review – relates to review of interim financial information.

Regulatory audits – relates to services carried out by the auditors in relation to statutory and regulatory obligations and filings and includes audits required by other regulated bodies (eg FSA).

An additional amount of £10,000 was paid to the auditors for advice relating to the issue of preference shares (capitalised as part of the amount treated as borrowings) in the 18 months to 31 October 2008.

3. Investment income /

	12 months 2009 £'000	18 months 2008 £'000
Interest receivable from fiduciary funds	138	1,637

4. Employees /

	12 months 2009 £'000	18 months 2008 £'000
Salaries and associated expenses		
Wages and salaries	26,659	29,600
Social security costs	2,691	3,552
Pension contributions to defined contribution schemes	1,719	2,212
Equity settled share based payments	57	(33)
	31,126	35,331

The average number of employees, including directors, during the period was 463 (2008: 386). All were engaged in the activity of insurance broking and risk management.

The Group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge shown above represents contributions payable by the Group to such funds.

	12 months 2009 £'000	18 months 2008 £'000
Key management remuneration		
Remuneration for management services	1,047	1,727
Pension contributions to defined contribution schemes	62	107
Equity settled share based payments	18	15
	1,127	1,849

Key management remuneration is determined by the Remuneration Committee. Remuneration policy and directors' remuneration are described in the Remuneration Report on pages 22 to 23.

The following options have been granted to directors:

Date of grant	Number of options granted	Value of options £'000	Charge to income statement £'000
4 September 2003	5,738	1	-
8 October 2003	25,000	6	1
19 January 2007	200,000	36	12
5 August 2009	550,000	55	5

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Notes to the financial statements - 31 October 2009 / continued

4. Employees / continued

Equity settled share based payments

The Group's equity settled share based payments comprise the Company Share Option Plan 2002. IFRS 2 applies to grants made after 7 November 2002, the issue date of the original exposure draft. Since that date, the Company has made the following grants:

Date of grant	4 September 2003	8 October 2003	11 July 2006	19 January 2007	5 August 2009
Options outstanding					
At 1 May 2007	551,044	688,500	377,250	200,000	-
Exercised in the period	-	-	(20,000)	-	-
Lapsed in the period	(246,119)	(312,803)	(57,755)	-	-
At 1 November 2008	304,925	375,697	299,495	200,000	-
Granted in the year	-	-	-	-	1,885,000
Lapsed in the year	(1,013)	-	(7,462)	-	-
At 31 October 2009	303,912	375,697	292,033	200,000	1,885,000
Options at grant	1,013,039	983,500	497,500	200,000	1,885,000
Option exercise price	128p	134.5p	88p	113.5p	72.5p
Number of employees	303	89	296	1	29
Earliest date of exercise permitted	4 September 2006	8 October 2006	11 July 2009	19 January 2010	5 August 2012
Contractual life remaining (months)	46	47	80	87	117
Performance criteria	Note 1	Note 2	Note 1	None	None

The fair value of awards is calculated using the Black-Scholes model as follows

Share price on grant date	132.5p	134.5p	91p	113.5p	72.5p
Dividend yield	3.40%	3.35%	5.23%	4.23%	6.00%
Interest rate	4.50%	4.57%	4.72%	5.39%	3.63%
Maturity assumed at grant (months)	48	60	60	60	120
Volatility (Note 3)	20%	20%	26.6%	23.7%	20.0%
Option value	22.42p	23.42p	18.46p	18.22p	10.06p
Value of options at grant	£227,000	£230,000	£92,000	£36,000	£190,000
Assumed vesting period (months)	101	100	66	36	36
Options lapsed (Note 4)					
- at 31 October 2009	70.0%	61.8%	21.4%	Nil	Nil
- at 31 October 2008	69.9%	61.8%	19.9%	Nil	Nil
Options exercised					
- at 31 October 2009	Nil	Nil	19.9%	Nil	Nil
- at 31 October 2008	Nil	Nil	19.9%	Nil	Nil
Charge for the year ended 31 October 2009	£8,000	£12,000	£9,000	£12,000	£16,000
Charge/(credit) for the 18 months ended 31 October 2008	£(31,000)	£(27,000)	£6,000	£18,000	£Nil

Note 1 These options may only be exercised if there has been a cumulative growth in the Group's earnings per share in excess of 3% over RPI in the three year period prior to the date of exercise. This condition had not been satisfied at 31 October 2009.

Note 2 These options may only be exercised if there has been a cumulative growth in the Group's earnings per share in excess of 8% over RPI in the three year period prior to the date of exercise. This condition had not been satisfied at 31 October 2009.

Note 3 The volatility has been calculated based on the Company's own share price history from flotation to the date of grant, modified by the experience of other quoted insurance brokers over the four to five years to the date of grant.

Note 4 All the options granted under the share option scheme are conditional on employees remaining in the Group's employment during the vesting period, although the scheme rules allow for options to subsist for a period of six months after leaving employment for reason of death, redundancy or other involuntary cause. In calculating the cost of options granted, a factor is included to take account of anticipated lapse rates.

At 31 October 2009, no options are exercisable (2008: Nil).

5. Net finance result /

	12 months 2009 £'000	18 months 2008 £'000
Finance income		
Interest receivable from corporate funds	64	235
Dividend receivable on quoted investments	2	14
Gain on sale of available-for-sale assets	-	336
Total finance income	66	585
Finance cost		
Interest on bank borrowings	(308)	(659)
Interest on finance leases	(92)	(87)
Interest on loan stock	(112)	-
Preference dividends	(495)	-
Notional charge on deferred consideration	(118)	(158)
Notional charge on loan stock	(46)	(210)
Total finance cost	(1,171)	(1,114)
Net finance cost	(1,105)	(529)

The net result was all reported in the income statement.

In the 18 months to 31 October 2008, the gain on sale of available-for-sale assets included £173,000 transferred from equity.

6. Income tax expense /

	12 months 2009 £'000	18 months 2008 £'000
Current tax expense		
Current year	165	240
Prior year	229	43
	394	283
Deferred tax (credit)/expense		
Current year	(656)	169
	(656)	169
Total income tax (credit)/expense	(262)	452

The tax on the Group's profit before tax differs from the standard rate of UK corporation tax applicable as follows:

	12 months 2009 £'000	18 months 2008 £'000
Profit before tax on continuing operations	575	914
Profit before taxation multiplied by standard rates of corporation tax at 28.0% (2008: 32.7%)	161	299
Excess/(shortfall) of depreciation over capital allowance	4	(57)
Expenses disallowable for corporation tax	161	330
Adjustment to allowable goodwill amortisation	(202)	(397)
Effect of UK and non-UK tax rate differences	58	(27)
Non taxable income	15	(82)
Non-recovery of losses in subsidiaries	(15)	165
Prior year adjustment	229	43
Other	(19)	178
Deferred tax credit arising from previously unrecognised tax losses	(1,081)	-
Deferred tax expense relating to the origination and reversal of temporary differences	427	-
Total income tax (credit)/expense	(262)	452

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Notes to the financial statements - 31 October 2009 / continued

7. Earnings per share /

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the period.

Diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the adjusted weighted average number of shares in issue during the period. There was no dilutive effect in the year to 31 October 2009 (2008: no dilutive effect) in respect of the options subsisting at that date, for which the subscription

price was below the Company's share price. There was a dilutive effect of 1,627,727 shares in the year to 31 October 2009 (2008: 1,102,825) for the estimated number of shares to be issued in relation to the acquisitions of FiSure Holdings Limited, Globesure Holdings Limited and Property Risk Management Limited. There was no dilutive effect for the estimated number of shares to be issued on conversion of preference shares, for which the conversion price was below the Company's share price.

	12 months 2009 Number of shares	18 months 2008 Number of shares
Weighted average number of ordinary shares in issue	32,340,733	27,816,356
Effect of deferred share consideration	1,627,727	1,102,825
Adjusted weighted average number of ordinary shares in issue	33,968,460	28,919,181

Earnings reconciliation	12 months 2009 £'000	12 months 2009 Basic pence per share	12 months 2009 Diluted pence per share	18 months 2008 £'000	18 months 2008 Basic pence per share	18 months 2008 Diluted pence per share
Continuing operations						
Underlying profit	3,198	9.89	9.42	2,923	10.51	10.11
Amortisation of intangibles	(1,897)	(5.87)	(5.58)	(1,850)	(6.65)	(6.40)
Impairment credit/(charge)	493	1.53	1.45	(123)	(0.44)	(0.42)
Deferred tax release on amortisation and impairment	160	0.49	0.46	244	0.88	0.84
Exceptional costs (net of tax)	(1,132)	(3.50)	(3.33)	(846)	(3.05)	(2.93)
Profit attributable to shareholders	822	2.54	2.42	348	1.25	1.20

8. Dividends /

	12 months 2009 £'000	18 months 2008 £'000
Second interim dividend in respect of 2007 of 3.2p per share	-	869
Final dividend in respect of 2008 of 2.4p per share	777	-
Interim dividend in respect of 2009 of 1.25p per share (2008: 1.25p)	405	349
Second interim dividend in respect of 2008 of 3.2p per share	-	891
	1,182	2,109

A final dividend in respect of 2009 of 1.25p per share, amounting to a total of £407,000, is proposed by the Board. The dividend proposed will not be accounted for until it has been paid.

9. Property, plant and equipment /

	Freehold land & buildings £'000	Leasehold improvements £'000	Office fixtures & equipment £'000	Motor vehicles £'000	Total £'000
At 31 October 2009					
Opening net book amount	1,887	1,585	1,457	72	5,001
Exchange differences	-	8	13	-	21
Additions	3	76	404	-	483
Disposals	-	-	(17)	-	(17)
Depreciation charge	(31)	(136)	(621)	(16)	(804)
Closing net book amount	1,859	1,533	1,236	56	4,684
At 31 October 2009					
Cost	2,029	1,931	5,231	132	9,323
Accumulated depreciation	(170)	(398)	(3,995)	(76)	(4,639)
Closing net book amount	1,859	1,533	1,236	56	4,684
At 31 October 2008					
Opening net book amount	1,935	648	890	36	3,509
Exchange differences	-	-	7	-	7
Additions	-	1,055	1,246	80	2,381
Companies acquired	-	2	158	9	169
Disposals	-	-	(1)	(37)	(38)
Depreciation charge	(48)	(120)	(843)	(16)	(1,027)
Closing net book amount	1,887	1,585	1,457	72	5,001
At 31 October 2008					
Cost	2,026	1,756	4,960	132	8,874
Accumulated depreciation	(139)	(171)	(3,503)	(60)	(3,873)
Closing net book amount	1,887	1,585	1,457	72	5,001

The net book value of property, plant and equipment under finance leases (secured by the lessor's title to the leased assets) is as follows:

	2009 £'000	2008 £'000
Office fixtures and equipment	1,307	1,388

The net book value of freehold land and buildings includes £500,000 (2008: £500,000) in respect of land. The deemed cost of freehold properties is their valuation in June 2004, on an open market basis by Montagu Evans, independent Chartered Surveyors.

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Notes to the financial statements - 31 October 2009 / continued

10. Goodwill /

	Gross amount £'000	Impairment losses £'000	Net carrying amount £'000
At 1 November 2008			
Opening net book amount	29,404	(2,859)	26,545
Acquisitions (note 29)	3,208	-	3,208
Fair value adjustment	351	-	351
Impairment charge in the period	-	(59)	(59)
At 31 October 2009	32,963	(2,918)	30,045
At 1 May 2007			
Opening net book amount	16,854	(2,947)	13,907
Acquisitions	12,480	-	12,480
Fair value adjustment	70	-	70
Change in impairment value in the period	-	88	88
At 31 October 2008	29,404	(2,859)	26,545

Goodwill at 31 October 2009 related to cash generating units comprising the acquisitions of:

£'000

THB UK Limited	3,140
BEIB Equestrian Holdings Ltd	1,918
THB Risk Solutions Ltd and Cardinus Risk Management Ltd	5,603
Carter-Gilbrook Insurance Services Ltd	88
FiSure Holdings Ltd	3,555
Cardinus Ltd	1,439
PWS East Asia Pte Limited	1,230
The business of PWS International Ltd	9,958
Globesure Holdings Ltd	2,420
Property Risk Management Ltd	694
Net book value at 31 October 2009	30,045

Goodwill relating to the acquisition of PWS Brasil Corretora de Resseguros Ltda (part of the International segment) was impaired down to nil.

Impairment tests for goodwill

Goodwill is tested for impairment on an annual basis based on value in use. Impairment tests use cash flow projections approved by management and based on budgeted trading profit over a three year period. Management determine the budgeted trading profit based on past experience and its expectation for the market development. Cash flows

beyond the three year period are extrapolated using an average estimated growth rate of between 0% and 3% for years 4 to 6 and nil thereafter (2008: between 0% and 3% per annum for years 4-6 and nil thereafter). Cash flows are discounted using a pre-tax discount rate of 7.1% (2008: 7.1%), based on the weighted average cost of capital of the Group.

11. Intangible assets /

	Customer & supplier relationships £'000	Expectation of business renewal £'000	Software £'000	Brand name £'000	Total £'000
Gross amount					
At 1 May 2007	6,828	789	-	-	7,617
Acquisitions	-	8,760	887	216	9,863
At 1 November 2008	6,828	9,549	887	216	17,480
Acquisitions	30	-	-	-	30
At 31 October 2009	6,858	9,549	887	216	17,510
Amortisation and impairment					
At 1 May 2007	5,115	570	-	-	5,685
Amortisation charge for the period	760	823	207	60	1,850
Impairment (reversal)/charge	(311)	522	-	-	211
At 1 November 2008	5,564	1,915	207	60	7,746
Amortisation charge for the year	753	895	177	72	1,897
Impairment (reversal) / charge	(636)	-	-	84	(552)
At 31 October 2009	5,681	2,810	384	216	9,091
Net book value					
At 31 October 2009	1,177	6,739	503	-	8,419
At 31 October 2008	1,264	7,634	680	156	9,734

Intangible assets are identified in accordance with the definition set out in IAS 38. These assets have been acquired through business acquisitions and are valued on the basis of the present value of future cash flows and are amortised to the income statement over the life of the contract or their estimated economic life. The expected useful lives are finite and are estimated as follows:

Customer/supplier relationships	term of the underlying contract
Expectation of renewal of business	between 5 and 10 years
Software	5 years
Brand name	3 years

An impairment reversal was recognised in the year ended 31 October 2009 relating to impairment previously charged in respect of a relationship with Zurich Insurance (part of the THB UK segment), based on renewal of contracts extending the useful life. An impairment charge was recognised in the year in respect of PWS Brasil Corretora de Resseguros Ltda (part of the International segment), following a decision to close the business.

Impairment tests for intangible assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment tests use cash flow projections approved by management and based on budgeted trading profit over a three year period. Management determine the budgeted trading profit based on past experience and its expectation for the market development. Cash flows beyond the three year period are extrapolated using an average estimated growth rate of between 0% and 3% for years 4 to 6 and nil thereafter (2008: between 0% and 3% per annum for years 4-6 and nil thereafter). Cash flows are discounted using a pre-tax discount rate of 7.1% (2008: 7.1%).

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Notes to the financial statements - 31 October 2009 / continued

12. Interests in associates /

	2009 £'000	2008 £'000
At 1 November 2008	416	176
Acquisitions	-	174
Impairment of investment	(69)	-
Exchange (loss) / gain on retranslation	(8)	67
Share of losses of associates	(43)	(1)
At 31 October 2009	296	416

Investment in associates comprises the Group's holdings of:

- 50% of the common stock of Equisure Inc., an unlisted company registered in the USA;
- 50% of the common stock of Rice Place Inc., an unlisted company registered in the USA;
- 25% of the common stock of PWS Gulf Insurance Brokers LLC ("PWS Gulf"), an unlisted company registered in Dubai; and
- 30% of the common stock of PWS Peru Corredores de Reaseguros SAC ("PWS Peru"), an unlisted company registered in Peru.

An impairment loss was recognised during the year in respect of the investment in PWS Gulf due to trading conditions in Dubai. The investment in PWS Gulf has been written down to nil.

The latest unaudited financial statements for the associates (for the periods specified) show:

	Equisure Inc Year to 30 June 2009 US \$'000	Rice Place Year to 30 June 2009 US \$'000	PWS Gulf Year to 31 December 2008 AED '000	PWS Peru Year to 31 December 2008 PEN '000
Fees and commissions	1,977	58	9,273	707
Profit for the period	47	4	1,628	76
Assets	1,145	653	15,813	379
Liabilities	(620)	(420)	(12,519)	(23)
	525	233	3,294	356

The above companies, being influenced but not controlled by the Group, produce financial statements to different year ends to that of the Group.

Balances due to and from associates at 31 October 2009 and business transacted during the year with associates are set out in note 32.

13. Financial instruments by category /

Financial assets categorised in accordance with IAS 39 have been included in the balance sheet under the following headings:

	2009 £'000	2008 £'000
Current assets		
Derivative financial instruments		
- Forward foreign exchange contracts in cash flow hedges	457	29
Loans and receivables		
- Trade and other receivables	12,533	13,509
- Cash and cash equivalents	40,362	49,038
	53,352	62,576

Non current assets

Loans and receivables: Other receivables	127	345
Derivative financial instruments		
- Forward foreign exchange contracts in cash flow hedges	621	111
Available-for-sale financial assets	-	112
	748	568

Financial liabilities categorised in accordance with IAS 39 have been included in the balance sheet under the following headings:

	2009 £'000	2008 £'000
Current liabilities		
Derivative financial instruments		
- Forward foreign exchange contracts in cash flow hedges	915	2,656
Other financial liabilities:		
- Borrowings	2,049	1,229
- Trade and other payables	41,481	48,892
	44,445	52,777

Non current liabilities

Derivative financial instruments		
- Forward foreign exchange contracts in cash flow hedges	4	1,317
Other financial liabilities: Borrowings	14,696	16,536
Provisions and other liabilities		
- Deferred cash consideration	899	1,037
- Deferred share consideration	1,334	618
	16,933	19,508

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Notes to the financial statements - 31 October 2009 / continued

14. Available-for-sale financial assets /

	Unquoted investments £'000
At 1 May 2007	939
Additions	99
Disposals	(926)
At 1 November 2008	112
Disposals	(112)
At 31 October 2009	-

During the year, the 2,500 10p preference shares in Heritage Underwriting Agency plc were redeemed for a loss on disposal of £10,000. The preference shares had been stated at directors' valuation based on cost of £5 per share.

During the year, the Group disposed of its 39.9% interest in ordinary shares of PWS Korea Company Limited for no gain or loss on disposal.

15. Trade and other receivables /

	2009 £'000	2008 £'000
Insurance broking receivables (note 19):		
Amounts due from associates	4	11
Other insurance broking receivables	10,258	10,442
Less: Provision for bad debts	(367)	(749)
Insurance broking receivables - net	9,895	9,704
Other receivables - current:		
Dividend receivable from associate	-	45
Other debtors	2,638	3,760
Prepayments and accrued income	2,506	2,203
Trade and other receivables - current	15,039	15,712
Other receivables - non-current	127	345

As at 31 October 2009, the Group had exposures to individual trade counterparties within trade receivables. In accordance with our Group policy, Group operating companies continually monitor exposures against individual clients. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity.

The carrying amount of trade and other receivables is considered to approximate to their fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Management does not expect any significant losses from non-performance by trade counterparties that have not been provided for. Movements on the Group provision for impairment of trade receivables are as follows:

	2009 £'000	2008 £'000
Provision for impairment brought forward	749	-
Provision acquired	-	552
Currency translation adjustments	(10)	98
Provisions (released) / made for receivables impairment during period (net)	(55)	175
Receivables written off as uncollectible during period	(317)	(76)
Provision for impairment carried forward	367	749

15. Trade and other receivables / continued

Ageing of insurance broking receivables	2009 Gross £'000	2009 Provision £'000	2009 Net £'000	2008 Net £'000
Not yet due	3,584	-	3,584	3,146
Not more than 6 months	4,741	(69)	4,672	3,001
More than 6 months but not more than 1 year	1,219	(9)	1,210	3,145
More than 1 year	718	(289)	429	412
	10,262	(367)	9,895	9,704

16. Derivative financial instruments /

	2009 Assets £'000	2009 Liabilities £'000	2008 Assets £'000	2008 Liabilities £'000
Forward foreign exchange contracts - cash flow hedges	1,078	919	140	3,973
Less: Non current portion	(621)	(4)	(111)	(1,317)
Current portion	457	915	29	2,656

The Group uses forward foreign exchange contracts to manage the risks arising from movements in exchange rates. The Group's major currency transaction exposure arises in US dollars and the Group continues to adopt a prudent approach in actively managing this exposure. The foreign exchange risk is limited to the fees and commissions earned by the Group, as premiums are usually collected and paid in the same currency. All forward foreign exchange contracts entered into at 31 October 2009 were effective foreign currency hedges and there is no ineffective portion of the hedging portfolio.

The Group has adopted a policy for the management of this exposure and has implemented a rolling hedge programme based on the use of forward

foreign exchange contracts, details of which are set out in note 26. The total principal value of these contracts at 31 October 2009 was £28.3 million (2008: £24.4 million). Values of derivative financial instruments are based on quoted prices in an active trading market. The revaluation to net fair value of financial derivatives designated as cash flow hedges, based upon market values at 31 October 2009, was a gain of £159,000 (2008: loss of £2,627,000) and has been deferred in equity. Gains and losses arising on derivative financial instruments outstanding at 31 October 2009 will be released to the income statement at various dates up to 24 months from the balance sheet date.

17. Cash and cash equivalents /

	2009 Corporate £'000	2009 Fiduciary (note 19) £'000	2008 Corporate £'000	2008 Fiduciary (note 19) £'000
Cash at bank and in hand	3,041	30,041	6,857	42,028
Short term bank deposits	-	7,280	153	-
	3,041	37,321	7,010	42,028

Fiduciary balances comprise client and insurer monies and fees and commissions earned but undrawn at the balance sheet date. These are held in insurance trust bank accounts for the benefit of clients and insurers.

The carrying amount of cash and cash equivalents is considered to approximate to their fair value.

The credit quality of cash at bank and short term deposits at 31 October 2009 can be assessed by reference to external credit ratings, where available, or to published information about counterparty default rates:

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Notes to the financial statements - 31 October 2009 / continued

17. Cash and cash equivalents / continued

	2009 £'000	2008 £'000
AA-	157	4,593
A+	-	34,486
A	33,835	9,860
A-	6,263	-
Other	107	99
	40,362	49,038

18. Trade and other payables /

	2009 £'000	2008 £'000
Insurance broking creditors (note 19):		
Amounts due to associates	43	114
Other insurance broking creditors	39,167	46,290
	39,210	46,404
Trade and other payables due within one year:		
Social security and other taxes	671	775
Amounts due to associates	-	31
Other creditors	1,600	1,682
Accruals	8,071	7,217
Trade and other payables – current	49,552	56,109

The carrying amount of trade and other payables is considered to approximate to their fair value.

19. Insurance balances /

Group companies, as with other insurance brokers, normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable for amounts arising from such transactions.

Notwithstanding the legal relationships with clients and insurers, insurance brokers are entitled to retain investment income on any cash flows arising from insurance broking transactions and, consequently, debtors and creditors arising from such transactions were previously shown as assets and liabilities of the Group.

This treatment has been reviewed in accordance with IFRS. As a result, it was considered that insurance receivables in respect of premiums and claims do not represent an asset of the Group and should therefore not

be recognised until the cash is received. Accordingly, the balance sheet reflects only insurance ('fiduciary') cash balances, with the corresponding payable included as a liability.

In certain circumstances, with approval at a senior level, the Group may advance premiums to insurers and refunds or claims to clients prior to collection and these advances are also reflected as part of insurance broking receivables. Net insurance balances set out below therefore represent such advances made, together with fees and commissions earned on insurance transactions and either uncollected or not withdrawn from fiduciary bank accounts at the balance sheet date.

	2009 £'000	2008 £'000
Insurance broking receivables	9,895	9,704
Fiduciary cash	37,321	42,028
Insurance broking creditors	(39,210)	(46,404)
Net insurance balances	8,006	5,328

20. Borrowings /

	2009 £'000	2008 £'000
Current		
Bank borrowing	1,590	890
Loan stock	101	-
Finance lease liabilities	358	339
	2,049	1,229
Non current		
Bank borrowing	5,270	6,860
Finance lease liabilities	554	913
Loan stock	4,000	3,954
Preference share capital classified as borrowings	4,872	4,809
	14,696	16,536

Bank overdraft and borrowings at 31 October 2009 and 31 October 2008 bear interest at fluctuating rates based on 3-month LIBOR and are secured on freehold property and by a debenture over the Group's non insurance assets. All borrowings and finance lease liabilities are denoted in sterling.

Finance lease liabilities bear fixed rates of interest and are secured on the assets acquired under the leases.

Loan stock issued as part of the consideration paid for the acquisition of the business and assets of PWS International Ltd accrues interest at fluctuating rates based on Base Rate plus 3%, 3.5%, 4%, and 4.5% in the years

ending 30 June 2010, 2011, 2012 and 2013, respectively, and at Base Rate plus 5% thereafter.

5,605,000 £1 convertible redeemable preference shares bear a fixed coupon of 8% per annum. The preference shares are all unsecured. Further details of the rights attaching to these preference shares are set out in note 23. Professional costs of £140,000 associated with the preference share issue have been deducted in determining the fair value of these instruments.

The carrying value of borrowings is considered to approximate to their fair value.

The effective rates of interest applicable at the balance sheet date were:

	2009	2008
Bank borrowings	2.3%	5.9%
Finance lease liabilities	8.0%	8.0%

Maturity of non-current bank borrowings is as follows:

	2009 £'000	2008 £'000
Between 1 and 2 years	1,740	1,590
Between 2 and 5 years	3,420	5,020
Over 5 years	110	250
	5,270	6,860

Finance lease liabilities – minimum lease payments:

	2009 £'000	2008 £'000
No later than 1 year	420	427
Later than 1 and not later than 2 years	237	420
Later than 2 and not later than 3 years	221	237
Later than 3 and not later than 4 years	156	222
Later than 4 and not later than 5 years	-	156
	1,034	1,462
Future finance charges on finance leases	(122)	(210)
Present value of finance lease liabilities	912	1,252

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Notes to the financial statements - 31 October 2009 / continued

20. Borrowings / continued

Maturity of loan stock is as follows:

	2009 £'000	2008 £'000
No later than 1 year	101	-
Between 3 and 4 years	1,000	-
Between 4 and 5 years	3,000	1,000
Over 5 years	-	3,000
	4,101	4,000
Less: discount to current value	-	(46)
	4,101	3,954

During September 2009, the Group issued loan stock of £101,000 as part of the settlement of the first tranche of FiSure Holdings Limited deferred consideration based on performance criteria of the business for the year to 30 April 2009. Interest shall be paid at the rate of 1% below the base rate of Royal Bank of Scotland from time to time in force and shall accrue daily. A stockholder can elect that the loan stock be repaid after six months and one day and the Group will repay the loan stock twelve months after the date of issue if no election is received.

Borrowing facilities

The Group had a committed overdraft facility at 31 October 2009 of £3.5 million (2008: £3.5 million) until 24 January 2012. Drawings under this facility, which totalled £nil at 31 October 2009 (2008: £nil), are subject to interest at 200 basis points above the relevant LIBOR rate. The facility's terms and conditions include debt cover, debt service and shareholders' funds covenants with which the Group expects to continue to comply.

21. Deferred income taxes /

IFRS requires deferred tax assets and liabilities to be offset only when there is a legally enforceable right to do so by virtue of income taxes being levied by the same fiscal authority on entities which intend to realise the assets and settle the liabilities simultaneously in future periods.

The following amounts, determined after appropriate offsets, are shown in the consolidated balance sheet:

	2009 Assets £'000	2009 Liabilities £'000	2008 Assets £'000	2008 Liabilities £'000
Property, plant and equipment	215	-	232	-
Share based payments	60	-	41	-
Intangible assets	23	(2,228)	138	(1,882)
Fair values	315	(302)	1,174	(39)
Other	1,045	(365)	11	(421)
Net tax assets/(liabilities)	1,658	(2,895)	1,596	(2,342)

21. Deferred income taxes / continued

	Property, plant and equipment £'000	Share based payments £'000	Intangible assets £'000	Fair values £'000	Other £'000	Total £'000
At 1 May 2007	296	50	(514)	(156)	(89)	(413)
(Charged)/credited to income statement for period	(64)	(9)	(37)	-	(59)	(169)
Acquired	-	-	(1,193)	-	-	(1,193)
Transferred to current tax	-	-	-	-	(78)	(78)
Charged to equity	-	-	-	1,291	(184)	1,107
Balance at 1 November 2008	232	41	(1,744)	1,135	(410)	(746)
(Charged)/credited to income statement for year	(17)	19	(427)	-	1,081	656
Acquired	-	-	(34)	-	-	(34)
Transferred to current tax	-	-	-	-	9	9
Charged to equity	-	-	-	(1,122)	-	(1,122)
At 31 October 2009	215	60	(2,205)	13	680	(1,237)

No asset has been recognised for the accumulated tax losses of Globesure Limited, as there is insufficient evidence that the asset will be recoverable. The Group will seek to utilise accumulated tax losses against future trading profits. The maximum potential deferred tax asset is £0.5 million.

The accumulated tax losses of FiSure Limited have been recognised as a deferred tax asset of £0.5 million, as there is sufficient evidence that the asset will be recoverable in the foreseeable future based on ten-year trading projections.

Tax losses have been recognised as a deferred tax asset of £0.5 million in Cardinus Risk Management Limited (formerly THB Risk Management Limited), as there is sufficient evidence that the asset will be recoverable. The Group will seek to utilise accumulated tax losses against future trading profits of Cardinus Risk Management Limited. Further tax losses not recognised as a deferred tax asset amount to £1.7 million (2008: £2.3 million) due to inherent uncertainty as to trading performance when projecting beyond the next ten years.

The accumulated tax losses recognised as deferred tax assets are included in "Other" in the tables above.

22. Provisions and other liabilities /

	Deferred cash consideration £'000	Deferred share consideration £'000	Deferred fees & commissions £'000	Total £'000
At 1 November 2008	1,037	618	5,054	6,709
Additions	134	642	-	776
Utilised in the year	(476)	(101)	-	(577)
Adjustments	150	111	(188)	73
Charged to the income statement	54	64	-	118
At 31 October 2009	899	1,334	4,866	7,099

Analysis of total provisions and other liabilities

	2009 £'000	2008 £'000
Current – to be utilised within one year	1,005	727
Non-current – to be utilised in more than one year	6,094	5,982
	7,099	6,709

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Notes to the financial statements - 31 October 2009 / continued

22. Provisions and other liabilities / continued

Deferred consideration

Provision is made in respect of additional consideration payable following the initial completion of an acquisition. The value of deferred consideration, payable in cash or shares as shown, is contingent upon the results of the acquired businesses and may be revised from time to time prior to final settlement. The provision at 31 October 2009 relates to the acquisitions of FiSure Holdings Limited in 2006, Cardinus Limited in 2007 and Globesure Holdings

Limited and Property Risk Management Limited in 2009 (see note 28). The charge to the income statement of £118,000 in the year (2008: £158,000) is the notional fair value interest charge from acquisition.

Deferred fees and commissions

Provision is made for the deferral of revenue to recognise post-placement obligations.

23. Share capital /

	2009 £'000	2008 £'000
Authorised		
106,050,000 ordinary shares of 10p each (2008: 106,050,000)	10,605	10,605
5,605,000 preference shares of £1 each (2008: 5,605,000)	5,605	5,605
	16,210	16,210
Allotted, called up and fully paid		
32,559,731 ordinary shares of 10p each (2008: 32,075,135)	3,256	3,208
5,605,000 preference shares of £1 each (2008: 5,605,000)	5,605	5,605
Less: Preference share capital classified as borrowings	(5,133)	(5,133)
	3,728	3,680

Movements in ordinary share capital were as follows:

	Number	£'000
At 1 November 2008	32,075,138	3,208
Shares issued on 18 December 2008 on acquisition of Globesure Holdings Ltd	80,455	8
Shares issued to satisfy exceptional bonus awards:		
- on 28 January 2009	199,114	20
- on 12 June 2009	56,638	5
Shares issued on 7 September 2009 in relation to acquisition of FiSure Holdings Ltd	148,386	15
At 31 October 2009	32,559,731	3,256

The following options over ordinary shares were outstanding at 31 October 2009:

	2009	2008
Options granted to:		
Employees under the Company share option scheme, at 128p per share	303,912	304,925
Employees under the Company share option scheme, at 134.5p per share	375,697	375,697
Employees under the Company share option scheme, at 88p per share	292,033	299,495
Director under the Company share option scheme, at 113.5p per share	200,000	200,000
Employees under the Company share options scheme, at 72.5p	1,885,000	-
	3,056,642	1,180,117

5,605,000 convertible redeemable preference shares were issued at par on 31 October 2008. They are convertible into ordinary shares in the Company at the option of the preference shareholders at any time before redemption.

24. Changes in shareholders' equity /

	For the year to 31 October 2009	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Capital contribution reserves £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total shareholders equity £'000
Balance at 1 November 2008		3,680	12,955	(1,954)	1,854	122	5,042	21,699
Fair value profits net of tax								
- cash flow hedges		-	-	2,869	-	-	-	2,869
Currency translation differences		-	-	-	-	(24)	-	(24)
Net profit		-	-	-	-	-	822	822
Total recognised income and expense for the year		-	-	2,869	-	(24)	822	3,667
Dividends paid		-	-	-	-	-	(1,182)	(1,182)
Issue of ordinary share capital		48	272	-	-	-	-	320
Equity settled share based payments		-	-	-	-	-	57	57
Balance at 31 October 2009		3,728	13,227	915	1,854	98	4,739	24,561

	For the period to 31 October 2008	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Capital contribution reserves £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total shareholders equity £'000
Balance at 1 May 2007		2,716	9,823	1,233	1,004	(23)	6,836	21,589
Fair value profits net of tax								
- available-for-sale		-	-	(121)	-	-	-	(121)
- cash flow hedges		-	-	(3,090)	-	-	-	(3,090)
- property		-	-	24	-	-	-	24
Currency translation differences		-	-	-	-	145	-	145
Net profit		-	-	-	-	-	348	348
Total recognised income and expense for the period		-	-	(3,187)	-	145	348	(2,694)
Dividends paid		-	-	-	-	-	(2,109)	(2,109)
Issue of ordinary share capital		492	3,132	-	-	-	-	3,624
Equity element of preference share capital issued		472	-	-	-	-	-	472
Equity settled share based payments		-	-	-	850	-	(33)	817
Balance at 31 October 2008		3,680	12,955	(1,954)	1,854	122	5,042	21,699

Capital contribution reserves at 31 October 2009 include £1,004,000 (2008: £1,004,000) for options granted by V H Thompson in connection with the acquisition of FiSure Holdings Limited in August 2006 and £850,000

(2008: £850,000) for a gift of shares by V H Thompson to an unconnected company, Guilford Services Limited, in connection with the acquisition of the business of PWS International Ltd in January 2008.

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Notes to the financial statements - 31 October 2009 / continued

25. Changes in minority interests /

	£'000
At 1 May 2007	-
Acquired	129
Movement in the period	114
At 1 November 2008	243
Movement in the year	(7)
At 31 October 2009	236

26. Market risk /

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency and interest rate risks. The Group has adopted financial management policies which are reviewed regularly by the Board and uses financial instruments, including derivatives, to manage these risks. It is not Group policy to engage in speculative activities unrelated to underlying commercial exposures.

Foreign currency sensitivity

The Group's major foreign exchange transaction exposure arises in respect of US dollar revenue, which accounted for 49% of total revenue in the year ended 31 October 2009 (2008: 54%). The Group results are therefore highly sensitive to changes in the sterling/US dollar rate of exchange, every ten cent movement in the exchange rate translating into a gain or loss of approximately £800,000 per annum in profit before tax.

Foreign exchange risk is limited to the fees and commissions earned by the Group, as premiums are

usually collected and paid in the same currency. Virtually all claims are collected and paid in the same currency and hence do not give rise to foreign currency risk. On the rare occasions where a significant claim arises which is to be paid to the Group in one currency for onward payment to the insured in a different currency, the Group enters into a forward currency contract prior to collection from underwriters to manage the currency risk arising from the transaction.

The Group has adopted a policy for the management of this exposure and has implemented a rolling hedge programme using forward foreign exchange contracts and options. The purpose of this policy is to smooth, rather than eliminate, the impact of movements in the US dollar. In the year ended 31 October 2009, the Group achieved an average rate of \$1.81, compared with the average of month end market rates in the year of \$1.54. In the period ended 31 October 2008, the Group achieved an average rate of \$1.94, compared with the market average of \$1.96.

At the date of this report, the following hedges were in place:

Year ending 31 October	Hedges in place (% of anticipated US dollar income)	Average hedged rate achieved
2010	75%	\$1.68
2011	47%	\$1.59
2012	5%	\$1.62

In addition, since the period end, the Group has entered into option agreements to provide a hedge of exposures in the year ending 31 October 2011 at an average best case rate of \$1.62 and an average worst case rate of \$1.68. See note 16 for further information on the Group's hedging contracts at the period end.

Range of
spot rates

	Potential achieved average rate Years ending 31 October		
	2010	2011	2012
\$1.40	1.61	1.49	1.43
\$1.50	1.64	1.54	1.52
\$1.60	1.66	1.60	1.61
\$1.70	1.69	1.65	1.70
\$1.80	1.71	1.70	1.78

26. Market risk / continued

Foreign currency sensitivity (continued)

Transactional currency exposures other than the US dollar exposure include the Euro, Singapore and Australian dollars, but are not considered significant to the Group

result and are only selectively hedged through forward foreign currency transactions. At the date of this report, the following Euro hedges were in place:

Year ending 31 October	Hedges in place (% of anticipated net Euro income)	Average hedged rate achieved
2010	58%	€1.11

The Group does not hedge exposure to currency movements that affect the translation of the profits earned in foreign currencies except to the extent that these profits are expected to be distributed to the holding company. The Group has investments in overseas operations. The impact of movements in the exchange rates between balance sheet dates on the sterling value of the Group's balance sheet is not considered significant.

manages this risk by placing insurance trust funds and surplus corporate funds on short term deposit. A rise in interest rates would generate additional bank interest receivable on these accounts. The Group has, conversely, an exposure to a reduction in interest receivable on a fall in interest rates, which would affect the Group's return on insurance trust funds and its own surplus cash. Each one percent movement in the average achieved rate of return impacts interest income by approximately £0.2 million.

Details of the Group's borrowings and the interest rates they bear are set out in note 20.

Interest rate sensitivity

The Group has both interest bearing assets and interest bearing liabilities that give rise to net exposures to changes in interest rates, primarily in US dollars and sterling. The Group's policy is not to manage actively its net interest rate exposures by way of interest rate swaps or forward rate agreements, but to maintain a proportion of its borrowings on a floating rate basis. On these borrowings, a risk exists to the Group that interest rates may rise. The Group

Other price sensitivities

The Group disposed of its listed investments during the period and is no longer subject to fluctuations in the stock market. The Group does not have a material exposure to commodity price risk.

27. Counterparty credit risk /

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

Classes of financial assets – carrying amounts	2009 £'000	2008 £'000
Available-for-sale financial assets	-	112
Derivative financial instruments	1,078	140
Insurance broking receivables	9,895	9,704
Other receivables	5,271	6,353
Cash and cash equivalents	40,362	49,039
	56,606	65,348

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27. Counterparty credit risk / continued

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good quality, including those that are past due. See note 15 for further information on impairment of financial assets that are past due.

The Group maintains a counterparty policy based, where possible, on published rating criteria, to limit the concentration of funds and the exposure with any single party. Selection of insurance carriers is subject to approval by a security committee of the Board of Directors.

Lloyd's of London	A+
Bank of America N.A.	A
National Westminster Bank plc	A
AIB Group (UK) plc	A-

The Group manages its cash and investment balances in the form of deposits with prime banks, in accordance with this policy, which is agreed by the Board and, in respect of fiduciary funds, all relevant regulatory guidelines. Investment and banking counterparties are subject to pre-approval at Board level.

In respect of trade receivables and cash and cash equivalents, the Group had the following significant exposures at 31 October 2009 to counterparties rated as follows:

28. Capital and liquidity risk /

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve these objectives, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group classifies net debt and equity as capital and manages its balance sheet through monthly management reviews, financial controls and reporting.

Since the regulation of general insurance passed to the Financial Services Authority on 14 January 2005, fees and commissions received are withdrawn from client non-statutory trust accounts of the group's Lloyd's broking entity at least every 25 working days based on a client money calculation performed in accordance with the FSA's client money rules (CASS 5). The insurance broking operations within the Group operate in a number of jurisdictions where local regulation requires a minimum level of capital to be maintained. The capital solvency margin is calculated on a monthly basis and reported to the board of the Company and the relevant subsidiaries. The total

regulatory capital to be maintained by the Group's regulated entities is not considered significant in the context of the Group's total available capital.

The Group has a policy of not funding the payment of premiums or claims unless approved at a senior level. Where funding does occur, it is monitored and controlled. Involuntary funding of premiums and claims does occur in certain lines of business and this is monitored on a regular basis to control any short term impact on liquidity.

The Group maintains cash balances to meet its short term liquidity requirements. Funding of long term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to realise financial assets. The Group has adequate committed long term credit facilities to ensure that it is well positioned to meet the impact of cyclicalities in insurance markets on the capital requirements of the business and to support the strategic growth of the business. There are no restrictions on the use of these facilities in the normal course of business.

As at 31 October 2009, the Group's liabilities have contractual due dates which are summarised below:

	Within 6 months		Current		1 to 5 years		Non-current	
	2009	2008	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank borrowings	720	320	870	570	5,270	6,750	-	110
Finance lease obligations	179	169	179	170	554	913	-	-
Loan stock	-	-	101	-	4,000	988	-	2,966
Preference shares treated as borrowings	-	-	-	-	-	-	4,872	4,809
Trade payables	39,210	46,404	-	-	-	-	-	-
Other short term financial liabilities	10,342	9,777	-	-	-	-	-	-
Derivatives	561	1,180	354	1,476	4	1,317	-	-
Provisions and other liabilities	469	-	536	727	6,094	5,982	-	-
	51,481	57,850	2,040	2,943	15,922	15,950	4,872	7,885

29. Business combinations /

a) Globesure Holdings Limited

On 18 December 2008, the Company acquired the entire share capital of Globesure Holdings Limited, a newly established insurance broker, which since March 2007 has provided facultative reinsurance broking services for international clients.

Initial consideration of £250,000 was paid at completion. Further consideration will be payable on an earnout based on the performance of the acquired business over the period to 31 October 2013. The maximum earnout consideration is capped at £10 million and will be settled as to two-thirds in THB ordinary shares and one-third in loan notes.

	£'000
Debtors	22
Cash at bank	42
Creditors due within one year	(1,692)
Net liabilities	(1,628)
Fair value adjustment – deferred taxation	(34)
Goodwill arising on acquisition	2,420
Total cost of acquisition	758

Satisfied by:

Cash paid	250
Deferred earnout consideration	379
Costs of acquisition	129
Total cost of acquisition	758

Goodwill arising on the acquisition reflects the benefits expected to accrue from access to the services of the Globesure team.

In the period since acquisition, the acquired business contributed turnover of £2,196,000. It is impractical to calculate the profit before tax contributed since acquisition, as the business has been fully integrated into the Group's existing operations. The result would not have been materially different if the business had been acquired on 1 November 2008.

b) Specialists In The Protection of Risks Limited

On 3 November 2008, the Company acquired the entire share capital of Specialists in the Protection of Risks Limited (formerly Minimar (911) Limited) for consideration of £100. On the 5 November 2008, the business of SPR 2008 Limited (formerly Specialists in the Protection of Risks Limited) was acquired for total consideration of £30,000. The business undertakes surveys for the insurance and property industries. The consideration paid reflected the value of intangible assets on acquisition. There were no other assets or liabilities at acquisition.

In the period since acquisition, the acquired business contributed turnover of £106,000 and has contributed a loss before tax of £20,000. The result would not have been materially different if the business had been acquired on 1 November 2008.

c) Property Risk Management Limited

On 10 June 2009, the Group acquired the entire share capital of Property Risk Management Limited, a newly established business, which provides risk management services to the property industry.

Consideration of £200,000 has been paid since completion. Further consideration will be payable on an earnout based on the performance of the acquired business over the period to 31 October 2014. The maximum earnout consideration is capped at £10 million and will be settled as to two-thirds in THB ordinary shares and one-third in loan notes.

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29. Business combinations / continued

c) Property Risk Management Limited / continued

The following assets and liabilities were acquired in the transaction:

	£'000
Debtors	64
Cash at bank	23
Creditors due within one year	(90)
Net assets	(3)
Goodwill arising on acquisition	694
Total cost of acquisition	691
Satisfied by:	
Cash paid	200
Deferred earnout consideration	374
Costs of acquisition	117
Total cost of acquisition	691

Goodwill arising on the acquisition reflects the benefits expected to accrue from access to the services of the Property Risk Management team.

In the period since acquisition, the acquired business contributed turnover of £194,000 and has contributed a loss before tax of £11,000. The result would not have been materially different if the business had been acquired on 1 November 2008.

30. Notes to the consolidated cash flow statement /

Reconciliation of profit before tax to cash generated from operations:

	2009 £'000	2008 £'000
Cash flows from operating activities		
Profit before tax	575	914
Investment income receivable	(204)	(1,886)
Interest payable on bank loans, loan notes and finance leases	676	1,114
Preference dividends paid	495	-
Depreciation, amortisation and impairment charges	2,208	3,000
Share-based payment expense / (credit)	57	(33)
Loss on disposal of property, plant and equipment	-	5
Loss/(profit) on disposal of investments	10	(336)
Share of results of associate undertaking	(10)	(44)
Increase in receivables – excluding insurance broking balances	(546)	(2,601)
Increase / (decrease) in payables – excluding insurance broking balances	977	(1,219)
Decrease in provisions for liabilities and charges	(268)	(415)
Unrealised foreign exchange gain	68	4,047
Net cash inflows from operations	4,038	2,546

31. Commitments /

Capital commitments

Capital expenditure on property, plant and equipment contracted for or authorised but not contracted for at the balance sheet date totalled £Nil (2008: £91,000).

Not later than 1 year
Later than 1 year and not later than 5 years
Later than 5 years

	2009 £'000	2008 £'000
Not later than 1 year	1,714	1,796
Later than 1 year and not later than 5 years	4,860	6,524
Later than 5 years	6	101
	6,580	8,421

Operating lease commitments – where a Group company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Not later than 1 year	5	43

Contingent liabilities

Deferred consideration is payable in respect of the acquisition of Fisure Holdings Limited on 28 August 2006, to be satisfied two-thirds by the issue of THB ordinary shares and one-third in loan notes. Based on performance criteria the first tranche was settled in September 2009 a third was settled in shares to the value of £101,000 (refer to note 22 on page 53); a third was settled by loan notes to the value of £101,000 (refer to note 20 on page 51); and a third was deferred consideration of £101,000. At acquisition the deferred consideration based on performance criteria was estimated by the directors at £1,000,000. During the year the estimated deferred consideration was increased by £189,000. Further tranches, based on the results of the business in the years ending 30 April 2010 and 2011, are payable in each subsequent July. The maximum additional consideration is capped at £9.7 million.

Deferred consideration is payable in respect of the acquisition of Globesure Holdings Limited on 18 December 2008, to be satisfied two-thirds by the issue of THB ordinary shares and one-third in loan notes, in three tranches based on the results of the business in the years ending 31 October 2011, 2012, and 2013, with each tranche payable in the subsequent January. The maximum additional consideration is capped at £10 million, but the directors have estimated this liability at £500,000.

Deferred consideration is payable in respect of the acquisition of Property Risk Management Limited on 10 June 2009, to be satisfied two-thirds by the issue of THB ordinary shares and one-third in loan notes, in four tranches based on the results of the business in the years ending 30 April 2011, 2012, 2013 and 2014, with each tranche payable in the subsequent July. The maximum additional consideration is capped at £10 million, but the directors have estimated this liability at £374,000.

32. Related party transactions /

Thompson Heath & Bond Limited transacts insurance business with a number of its associates. Brokerage earned by the Group from its associates in the period to 31 October 2009 was:

	2009 £'000	2008 £'000
Equisure Inc.	199	376
PWS Gulf Insurance Brokers LLC	102	88
PWS Peru Corredores de Reaseguros SAC	14	11
	315	475

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Notes to the financial statements - 31 October 2009 / continued

32. Related party transactions / continued

Amounts due from and to associates at 31 October 2009 were:

Amounts due:	From 2009 £'000	To 2009 £'000	From 2008 £'000	To 2008 £'000
Equisure Inc.	-	30	-	104
Rice Place Inc.	-	-	-	31
PWS Gulf Insurance Brokers LLC	2	7	11	6
PWS Peru Corredores de Reaseguros SAC	2	6	-	4
	4	43	11	145

33. Operating subsidiary and associated companies /

The following were the Group's subsidiary and associated undertakings at 31 October 2009. Unless otherwise shown, the capital of each company is wholly owned. Where a company is not wholly owned, the percentage of the capital held is shown in brackets.

All companies are indirectly owned except for THB UK Limited, Thompson Heath & Bond Limited, British Equestrian Insurance Brokers Limited, FiSure Holdings Limited, Globesure Holdings Limited and THB International Holdings Limited, and the investments in Equisure, Inc. and Rice Place Inc., which are held directly by THB Group plc.

	Country of incorporation
Subsidiary undertakings	
Thompson Heath & Bond Limited	England
THB UK Limited	England
T L Clowes & Company Limited	England
British Equestrian Insurance Brokers Limited	England
THB Risk Solutions Limited	England
Cardinus Risk Management Limited (formerly THB Risk Management Limited)	England
Cardinus Limited	England
Cardinus LLC	USA
Fleet UK Limited *	England
Property UK Limited *	England
Healthy Working Limited *	England
FiSure Holdings Limited	England
FiSure Limited	England
Globesure Holdings Limited	England
Globesure Limited	England
Specialists in the Protection of Risks Limited	England
Property Risk Management Limited	England
Unicorn Underwriting Limited	England
THB International Holdings Limited	England
THB Asia Pacific Holdings Pte Limited	Singapore
PWS East Asia Pte Limited (60%)	Singapore
PWS Brasil Corretora de Resseguros Ltda (99.61%)	Brazil
THB Colombia Corredores de Reaseguros S.A. (95.5%)	Colombia
Associated undertakings	
Equisure, Inc. (50%)	USA
Rice Place Inc. (50%)	USA
PWS Gulf Insurance Brokers LLC (25%)	Dubai, UAE
PWS Peru Corredores de Reaseguros SAC (30%)	Peru

* denotes dormant company throughout the year

Parent Company financial statements /

Prepared in accordance with UK GAAP

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Parent Company financial statements /

Independent auditor's report to the members of THB Group plc

We have audited the Parent Company financial statements of THB Group plc for the year ended 31 October 2009 which comprise the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 October 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Review of Operations, the Financial Review and the Directors' Remuneration Report that is cross referred from the Directors' Report. Our responsibilities do not extend to any other information.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of THB Group plc for the year ended 31 October 2009.



Andrew Heffron (Senior statutory auditor) Andrew Heffron (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)
Tower Bridge House
St Katharine's Way
London E1W 1DD

27 January 2010

Note 1 The maintenance and integrity of the THB Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Note 2 Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Parent Company financial statements /

Balance sheet at 31 October 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	b	4,362	4,691
Goodwill	c	12,611	14,051
Investments	d	-	13
Investments in group undertakings	e	15,554	14,435
Investment in associates	f	405	400
		32,932	33,590
Current assets			
Debtors	g	23,790	17,178
Cash		1,665	5,457
		25,455	22,635
Creditors: Amounts falling due within one year	h	(19,273)	(13,794)
Net current assets		6,182	8,841
Total assets less current liabilities		39,114	42,431
Creditors: Amounts falling due after more than one year	i	(19,198)	(21,518)
		19,916	20,913
Capital and reserves			
Share capital	l	3,728	3,680
Share premium	m	13,227	12,955
Capital contribution reserves	m	1,854	1,854
Profit and loss account	m	1,107	2,424
Shareholders' funds		19,916	20,913

The accompanying accounting policies and notes form an integral part of these financial statements.

Approved and authorised for issue by the Board of Directors on 27 January 2010 and signed on its behalf by

F M MURPHY – Director
R S WILKINSON – Finance Director

Parent Company financial statements /

Reconciliation of movements in shareholders' funds for the year ended 31 October 2009

	Notes	2009 £'000	2008 £'000
(Loss) / profit for the year		(192)	1,982
Dividends		(1,182)	(2,109)
New ordinary shares issued	l	320	3,624
New preference shares issued		-	472
Revaluation of fixed asset investments		-	729
Equity settled share based payments	m	57	(33)
Net movement in shareholders' funds		(997)	4,665
Opening shareholders' funds		20,913	16,248
Closing shareholders' funds		19,916	20,913

Basis of preparation

The Company financial statements are prepared using UK GAAP. These separate entity level financial statements have been produced on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

The principal accounting policies are set out below and have remained unchanged.

Interest receivable

Interest is credited on the basis of amounts receivable for the period.

Tangible fixed assets and investments

Tangible fixed assets are stated at cost when originally purchased. Freehold buildings are depreciated at 2% per annum on the cost. Vehicles, machinery and equipment are depreciated over their anticipated useful lives under the following methods and at the following rates:

Motor vehicles	reducing balance	25% p.a.
Office fixtures and equipment	straight line	between 12.5% and 25% p.a.
Leasehold improvements	straight line	length of lease

Disposals of property are recognised upon unconditional exchange of contracts.

Investments are stated at directors' valuation.

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired. All goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Investment in Group undertakings

Shares and other investments in subsidiary undertakings are included at cost less impairment in value.

Taxation

The charge for taxation is based on the profit or loss for the period at current rates of tax and takes into account deferred taxation on all timing differences between the treatment of certain items for statutory accounts' purposes and their treatment for corporation tax purposes.

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised where it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Assets and liabilities are translated at the rates ruling at the balance sheet date. Differences on exchange are included in the profit and loss account.

Pensions

Contributions to the Company's pension schemes are charged to the profit and loss account as they are incurred.

Leases

Equipment acquired under finance leases, which transfer to the lessee substantially all benefits and risks of ownership, are capitalised, and the capital element of the related rental obligations are included in the balance sheet. The interest element of rental obligations is charged against profit in proportion to the reducing capital element outstanding.

Rentals applicable to operating leases, where the risks and rewards of ownership do not accrue to the Company, are charged to profit and loss as incurred.

Share-based payments

The Group has long-term incentive schemes for certain employees that are based upon the achievement of performance criteria. In accordance with FRS 20, the cost of providing awards to those employees in the form of shares or rights to shares is recognised over the period to which the performance criteria relate. The amount recognised is based upon the fair value of the shares at the date such awards are made, less any consideration that will be paid by the employees at the date they exercise their rights over the shares. Details of the schemes are given in note 4 to the group financial statements.

Parent Company financial statements /

Notes to the financial statements - 31 October 2009

a. Profit and loss account /

The Company has taken advantage of the exception contained within Section 408 of the Companies Act 2006 not to present its own profit and loss account. Retained

loss for the year dealt with in the financial statements of the Company is £1,374,000 (2008 – 18 months: loss of £127,000).

b. Tangible assets /

	Freehold land & buildings £'000	Leasehold Improvements £'000	Office fixtures & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 November 2008	1,891	1,756	4,171	64	7,882
Additions	3	76	372	-	451
31 October 2009	1,894	1,832	4,543	64	8,333
Depreciation					
1 November 2008	244	171	2,766	10	3,191
Charge for period	38	135	591	16	780
31 October 2009	282	306	3,357	26	3,971
Net book value at 31 October 2009	1,612	1,526	1,186	38	4,362
Cost					
1 May 2007	1,890	980	2,994	104	5,968
Additions	1	1,058	1,327	73	2,459
Disposals	-	(282)	(150)	(113)	(545)
31 October 2008	1,891	1,756	4,171	64	7,882
Depreciation					
1 May 2007	187	332	2,104	68	2,691
Charge for period	57	121	812	16	1,006
Disposals	-	(282)	(150)	(74)	(506)
31 October 2008	244	171	2,766	10	3,191
Net book value at 31 October 2008	1,647	1,585	1,405	54	4,691

The net book value of office fixtures and equipment includes an amount of £1,307,000 (2008: £1,388,000) in respect of assets held under finance leases and hire purchase contracts, for which depreciation provided in the period was £81,000 (2008: £195,000).

Parent Company financial statements /
Notes to the financial statements - 31 October 2009

c. Goodwill /

	£'000
Cost	
1 November 2008	15,419
Adjustment to the acquisition of the business and goodwill of PWS International Ltd	113
31 October 2009	15,532
Amortisation	
1 November 2008	1,368
Charge for period	1,553
31 October 2009	2,921
Net book value at 31 October 2009	12,611
Cost	
1 May 2006 and 30 April 2007	-
Acquisition of the business and goodwill of PWS International Ltd	13,707
Gift of shares by V H Thompson to Guilford Services Ltd	850
Costs of acquisition	862
31 October 2008	15,419
Amortisation	
1 May 2006 and 30 April 2007	-
Charge for period	1,368
31 October 2008	1,368
Net book value at 31 October 2008	14,051

On 24 January 2008, the Company announced the acquisition of the UK and European-based business of PWS International Ltd for £5.89 million, comprising £1.89 million in cash at completion and £4.0 million in loan notes. The Company also assumed specified insurance liabilities of PWS International at completion, together with the related run off obligations and all employment obligations covering current salaries and outstanding bonus payments. The loan notes will not be due for settlement before January 2013 unless the Company's senior bank debt has

been fully repaid prior to this date. There are no other conditions relating to the payment of these loan notes.

In order to secure consent to this transaction, the Company's chief executive, Vic Thompson, gifted 1,150,000 of his own THB shares to Guilford Services Limited, a company which is connected to neither Mr Thompson nor THB. These shares formed part of the asset backing to enable Guilford Services Ltd to acquire some of PWS' existing liabilities.

d. Investments /

	Unquoted investments £'000
At 1 November 2008	13
Disposals	(13)
At 31 October 2009	-

During the year, the 2,500 10p preference shares in Heritage Underwriting Agency plc were redeemed for a loss on disposal of £10,000. The preference shares had been stated at directors' valuation based on cost of £5 per share.

e. Investment in group undertakings /

	£'000
At 1 November 2008	14,435
Additions	1,119
At 31 October 2009	15,554

Investment in subsidiaries represents 100% of the ordinary share capital of the following companies, which are all registered in England and Wales:

- Thompson Heath & Bond Limited, an insurance broker based in London;
- THB UK Limited, a holding company based in Orpington;
- THB International Holdings Limited, a holding company based in Orpington;
- FiSure Holdings Limited, a holding company based in London;
- Globesure Holdings Limited, a holding company based in London; and
- British Equestrian Insurance Brokers Limited, a non-trading company.

The Company exercised its call option to acquire the remaining minority shares in FiSure Holdings Limited on 7 September 2009, on an earnout based on the performance of the business over the three years ending 30 April 2011.

f. Investment in associates /

	£'000
At 1 November 2008	400
Additions	5
At 31 October 2009	405

The investment in associates relates to the Company's 50% holdings of the common stock of Equisure, Inc. and Rice Place Inc., both of which are incorporated in the USA.

g. Debtors /

	2009 £'000	2008 £'000
Corporation tax	1,352	1,131
Other debtors	397	2,033
Prepayments and accrued income	2,403	2,173
Amounts due from subsidiary undertakings	19,209	11,452
	23,361	16,789
Due after more than one year		
Other debtors	105	105
Deferred tax	324	284
	23,790	17,178

Amounts due from subsidiary undertakings include loans to FiSure Holdings Limited and Globesure Holdings Limited. At 31 October 2009, these totalled at £4,497,000 and £2,203,000, respectively (2008: £2,438,000 and £1,954,000,

respectively). The Company will not demand repayment of these loans until FiSure Holdings Limited and Globesure Holdings Limited are in a position to repay them.

Parent Company financial statements /
Notes to the financial statements - 31 October 2009

h. Creditors – amounts falling due within one year /

	2009 £'000	2008 £'000
Other taxation and social security	671	775
Other creditors	561	1,925
Accruals	7,825	4,984
Amounts due to subsidiary undertakings	8,167	4,881
Bank loans (note j)	1,590	890
Loan stock (note j)	101	-
Finance lease creditors (note j)	358	339
	19,273	13,794

i. Creditors – amounts falling due after more than one year /

	2009 £'000	2008 £'000
Accruals	2,624	3,259
Bank loans (note j)	5,270	6,860
Finance lease creditors (note j)	554	913
Preference shares treated as borrowings	4,872	4,809
Loan stock	4,000	4,000
Deferred tax	724	677
Deferred consideration	1,154	1,000
	19,198	21,518

Loan stock was issued in connection with the acquisition of the business and goodwill of PWS International Ltd in January 2008.

Deferred consideration is estimated by the directors and relates to the acquisitions of FiSure Holdings Limited in August 2006 and Globesure Holdings Limited in December 2008.

j. Financial instruments /

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are interest rate and liquidity risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company has no interest in the trade of financial instruments, interest rate swaps or forward interest rate agreements. The Company does not conduct any foreign currency hedging, as the Group's currency exposures are managed in the Company's operating subsidiaries.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the following disclosures.

Interest rate risk

The Company finances its operations through a mixture of retained profits and borrowings. The Company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating rate facilities. All borrowings are denominated in sterling.

The Company's financial liabilities at 31 October 2009 and 31 October 2008 are shown in notes (h) and (i). The interest rate exposure of the financial liabilities of the Company as at the period end was:

	Interest rate		Total £'000
	Fixed £'000	Floating £'000	
At 31 October 2009	912	15,833	16,745
At 31 October 2008	1,252	16,559	17,811

j. Financial instruments / continued

	Fixed rate financial liabilities	
	Weighted average fixed interest rate	Weighted average period for which rate is fixed in years
At 31 October 2009	8.0%	3
At 31 October 2008	8.0%	4

At 31 October 2009 the floating rate bank borrowings bore interest at rates based on 3-month LIBOR plus a margin of between 1.75% and 2.00%. On these borrowings, a risk exists to the Company that interest rates may rise.

Maturity of borrowings included in creditors falling due after more than one year is as follows:

	Bank loans	Preference shares	Loan stock	Total 2009 £'000	Total 2008 £'000
Between 1 and 2 years	1,740	-	-	1,740	1,590
Between 2 and 5 years	3,420	-	4,000	7,420	6,020
Over 5 years	110	4,872	-	4,982	8,059
	5,270	4,872	4,000	14,142	15,669

Finance lease liabilities – minimum lease payments:

	2009 £'000	2008 £'000
No later than 1 year	420	427
Later than 1 and not later than 2 years	237	420
Later than 2 and not later than 3 years	221	237
Later than 3 and not later than 4 years	156	222
Later than 4 and not later than 5 years	-	156
	1,034	1,462
Future finance charges on finance leases	(122)	(210)
Present value of finance lease liabilities	912	1,252

Bank overdraft and borrowings at 31 October 2009 and 31 October 2008 bear interest at fluctuating rates based on 3-month LIBOR and are secured on freehold property and by a debenture over the Group's non insurance assets. All borrowings and finance lease liabilities are denoted in sterling.

Loan stock was issued on 24 January 2008, as part of the consideration paid for the acquisition of the business and assets of PWS International Ltd. The loan stock accrues interest at fluctuating rates based on Base Rate plus 3%, 3.5%, 4%, and 4.5% in the years ending 30 June 2010, 2011, 2012 and 2013, respectively, and at Base Rate plus 5% thereafter. On these borrowings, a risk exists to the Company that interest rates may rise.

5,605,000 £1 convertible redeemable preference shares bear a fixed coupon of 8% per annum. The preference shares are all unsecured. Further details of the rights attaching to these preference shares are set out in note l.

Finance lease liabilities bear fixed rates of interest and are secured on the assets acquired under the leases.

There were no material differences between book value and the fair value of the Company's financial liabilities at 31 October 2009 and 31 October 2008.

Borrowing facilities

The Company had a committed overdraft facility at 31 October 2009 of £3.5 million (2008: £3.5 million) until 24 January 2012. Drawings under this facility, which totalled £nil at 31 October 2009 (2008: £nil), are subject to interest at 200 basis points above the relevant LIBOR rate. The facility's terms and conditions include debt cover, debt service and shareholders' funds covenants with which the Company expects to continue to comply.

Parent Company financial statements /

Notes to the financial statements - 31 October 2009 / continued

k. Financial Risk Management /

Details of the Financial Risk Management for the Company are given in notes 26 to 28 of the Group Financial Statements on pages 56 to 58.

l. Share capital /

	2009 £'000	2008 £'000
Authorised		
106,050,000 ordinary shares of 10p each (2008: 106,050,000)	10,605	10,605
5,605,000 preference shares of £1 each (2008: 5,605,000)	5,605	5,605
	16,210	16,210
Allotted, called up and fully paid		
32,559,731 ordinary shares of 10p each (2008: 32,075,138)	3,256	3,208
5,605,000 preference shares of £1 each (2007: 5,605,000)	5,605	5,605
Less: preference share capital treated as borrowings	(5,133)	(5,133)
	3,728	3,680

Movements in ordinary share capital were as follows:

	Number	£'000
At 1 November 2008	32,075,138	3,208
Shares issued on 18 December 2008 on acquisition of Globesure Ltd	80,455	8
Shares issued to satisfy exceptional bonus awards:		
- on 28 January 2009	199,114	20
- on 12 June 2009	56,638	5
Shares issued on 7 September 2009 in relation to acquisition of FiSure Holdings Ltd	148,386	15
At 31 October 2009	32,559,731	3,256

The following options over ordinary shares were outstanding at the balance sheet date:

	2009	2008
Options granted to		
Employees under the Company share option scheme, at 128p per share	303,912	304,925
Employees under the Company share option scheme, at 134.5p per share	375,697	375,697
Employees under the Company share option scheme, at 88p per share	292,033	299,495
Director under the Company share option scheme, at 113.5p per share	200,000	200,000
Employees under the Company share option scheme, at 72.5p per share	1,885,000	-
	3,056,642	1,180,117

5,605,000 convertible redeemable preference shares were issued at par on 31 October 2009. They are convertible into ordinary shares in the Company at the option of the preference shareholders at any time before redemption.

m. Reserves /

	Share premium £'000	Capital contribution reserves £'000	Profit & loss account £'000	Total £'000
At 1 November 2008	12,955	1,854	2,424	17,233
Loss for the year	-	-	(192)	(192)
Dividends paid	-	-	(1,182)	(1,182)
Shares issued	272	-	-	272
Equity settled share based payments	-	-	57	57
At 31 October 2009	13,227	1,854	1,107	16,188

n. Commitments /

Capital commitments

Capital expenditure on property, plant and equipment contracted for or authorised but not contracted for at the balance sheet date totalled £Nil (2008: £91,000).

Operating lease commitments – where the Company is the lessee

The commitment in respect of the forthcoming year under non-cancellable operating leases can be analysed as follows:

Operating leases which expire:	Land and buildings 2009 £'000	Other 2009 £'000	Land and buildings 2008 £'000	Other 2008 £'000
Within 1 year	-	69	-	27
2 to 5 years	1,371	35	1,371	166
After 5 years	35	-	36	-
	1,406	104	1,407	193

Operating lease commitments – where the Company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Operating leases which expire		
Within 1 year	5	18
2 to 5 years	-	25
	5	43

o. Contingent liabilities /

The Company has given guarantees to certain of its subsidiary undertakings in connection with a composite guarantee and debenture given pursuant to its borrowing facilities. The Company has also granted continued financial support to certain of its subsidiaries by confirming that it will make sufficient funds available to enable the subsidiary companies to continue in business for at least twelve months from the date of approval of these financial statements.

Deferred consideration is payable in respect of the acquisition of Fisure Holdings Limited on 28 August 2006, to be satisfied two-thirds by the issue of THB ordinary shares and one-third in loan notes, in two more tranches based on the results of the business in the years ending

30 April 2010 and 2011, with each tranche payable in the subsequent July. The maximum additional consideration is capped at £9.7 million, but the directors have estimated this liability at £887,000 (2008: £1 million).

Deferred consideration is payable in respect of the acquisition of Globesure Holdings Limited on 18 December 2008, to be satisfied two-thirds by the issue of THB ordinary shares and one-third in loan notes, in three tranches based on the results of the business in the years ending 31 October 2011, 2012 and 2013, with each tranche payable in the subsequent January. The maximum additional consideration is capped at £10 million, but the directors have estimated this liability at £500,000.

THB Group plc /

Principal operating subsidiaries and associates

The Group operates through three production units.

Lloyd's Broker (CEO: Steve Matanle)**Thompson Heath & Bond Limited**

107 Leadenhall Street,
London EC3A 4AF, UK

Murray House, Murray Road,
Orpington, Kent BR5 3QY, UK

European Division: Diemerhof 32-36,
1112 XN Diemen-Amsterdam,
The Netherlands

Equisure Inc. and Rice Place Inc. (50% associates)

13790 East Rice Place,
Aurora, Denver,
Colorado 80916, USA

THB UK (CEO: Andy Hawkes)**THB Risk Solutions Limited**

Unit 10 Flag Business Exchange,
Vicarage Farm Road,
Peterborough PE1 5SL, UK

Unicorn Underwriting Limited

107 Leadenhall Street,
London EC3A 4AF, UK

Cardinus Risk Management Limited

(formerly THB Risk Management Limited)
Phoenix House, Cantelupe Road,
East Grinstead,
West Sussex RH19 3BE, UK

Cardinus LLC

8335 Sunset Blvd.,
West Hollywood,
CA 90069, USA

INTERNATIONAL**THB International Holdings Ltd**

Murray House, Murray Road,
Orpington, Kent BR5 3QY, UK

PWS East Asia Pte Ltd

600 North Bridge Road,
14-09/10, Parkview Square,
Singapore 188778

Room C-1, 27F Taipei 101 Tower,
7 Xin Yi Rd. Sec 5,
Taipei, Taiwan 110

THB Colombia Corredores de Reaseguros S.A.

Calle 113, No. 9B-16,
Bogota, Colombia

PWS Peru Corredores de Reaseguros SAC

(30% associate)
Calle Los Halcones No 372,
Urbanización Corpac,
Lima 27, Perú

THB Group plc /

Shareholder information

See the Group's website at www.thbgroup.com for information about the Group and other shareholder information including a link to the latest share price.

Secretary and registered office

S D Crowe
Murray House
Murray Road
Orpington
Kent BR5 3QY
United Kingdom
Telephone: +44 (0)1689 883500

Registrars and transfer office

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge, Huddersfield
West Yorkshire HD8 0LA
Telephone: 0870 162 3100
www.capita-irg.com

THB Group plc /

Shareholder information / continued

Notice of Annual General Meeting

A notice of meeting for the Company's next AGM, to be held at 10.00am on 16 March 2010 at 107 Leadenhall Street, London EC3, is enclosed with this Annual Report.

Financial calendar for the year ending 31 October 2010

Interim results announced	June 2010
Interim dividend payable	August 2010
Final results announced	January 2011
Annual General Meeting	March 2011
Final dividend payable	March 2011

Company registration number

1514749

THB Group plc /

Five year review

	12 months 2005 £'000	12 months 2006 £'000	12 months 2007 £'000	18 months 2008 £'000	12 months 2009 £'000
Fees and commissions	32,360	34,140	32,932	51,899	46,237
Investment income	893	1,035	1,405	1,637	138
Salaries and associated expenses	(20,178)	(20,418)	(20,557)	(35,226)	(31,126)
Premises costs	(1,294)	(2,123)	(1,781)	(2,925)	(3,123)
Other operating charges	(6,220)	(6,830)	(6,832)	(10,986)	(8,228)
Depreciation, amortisation and impairment charges	(2,497)	(1,980)	(2,299)	(3,000)	(2,208)
Operating profit	3,064	3,824	2,868	1,399	1,690
Share of results of associates after tax	(10)	20	1	44	(10)
Investment income	-	-	67	585	66
Finance costs	(814)	(557)	(436)	(1,114)	(1,171)
Profit on sale of discontinued operations	-	-	2,402	-	-
Profit before taxation	2,240	3,287	4,902	914	575
Income tax expense	(1,117)	(1,186)	(1,295)	(452)	262
Profit after taxation	1,123	2,101	3,607	462	837
Minority interest	-	-	-	(114)	(15)
Dividends	(1,128)	(999)	(1,300)	(2,109)	(1,182)
Profit transferred to reserves	(5)	1,102	2,307	(1,761)	(360)
Earnings per share					
- basic	4.2p	7.8p	13.3p	1.25p	2.54p
- diluted	4.2p	7.8p	13.1p	1.20p	2.42p

In the above unaudited table, comparative figures for 2005 have been restated to reflect the change of accounting policy set out in the 2006 accounts, and comparative figures for 2006 have been restated to reflect the prior year adjustment set out in the 2007 accounts. Comparative figures for 2007 have been conformed to the 2008 income statement format.

All figures are prepared under IFRS and include continuing and discontinued operations.

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